

September 20, 2004

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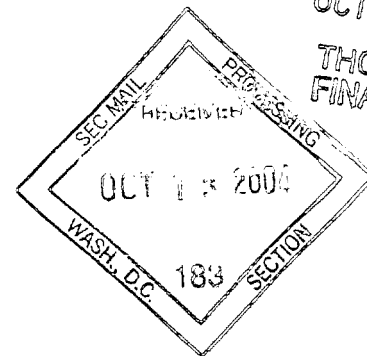
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VIA AIRMAIL

The Office of International Corporate  
Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 3-9  
Washington, D.C. 20549  
U.S.A.

SUPPL



Ladies and Gentlemen:

**SEC FILE NO. 82-3648**

Re: Techtronic Industries Company Limited  
Information Furnished Pursuant to Rule 12g3-2(b)  
under the Securities Exchange Act

On behalf of Techtronic Industries Company Limited (the "Company"), S.E.C. File No. 82-3648, the enclosed copies of documents, are submitted to you in order to maintain the Company's exemption from Section 12(g) of the Securities Exchange Act of 1934 (the "Act") pursuant to Rule 12g3-2(b) under the Act:

- (1) The Company's clarification announcement, dated September 3, 2004, published (in the English language) in the China Daily and published (in the Chinese language) in Hong Kong Commercial Daily News, both on September 6, 2004;
- (2) The Company's announcement regarding a major transaction: The proposed acquisition of companies comprising the Milwaukee, AEG and DreBo electric power tools and accessories businesses of Atlas Copco AB, dated

Partners: Martin Downey David Hall-Jones Simon Luk Michael P. Phillips Katherine C.M. U Carson Wen\* Susan C. Yu  
35th Floor One Exchange Square 8 Connaught Place Central, Hong Kong www.hewm.com \*China-Appointed Attesting Officer

Hong Kong Beijing Singapore San Francisco Silicon Valley Los Angeles San Diego Seattle Portland Anchorage  
New York Washington, D.C. Madison, WI Affiliated Offices: Milan Paris Rome

22 10/18

August 30, 2004, published (in the English language) in The Standard and published (in the Chinese language) in Hong Kong Economic Times, both on August 31, 2004;

- (3) The Company's announcement regarding results for the period ended June 30, 2004, dated August 12, 2004, published (in the English language) in The Standard and published (in the Chinese language) in Hong Kong Economic Times, both on August 13, 2004;
- (4) The Company's interim report 2004, dated August 12, 2004; and
- (5) The Company's circular regarding US\$140,000,000 Zero Coupon Convertible Bonds due 2009, dated July 6, 2004.

The part of the enclosed documents that are in Chinese substantially restate the information appearing elsewhere in English.

We would appreciate your acknowledging receipt of the foregoing by stamping and returning the enclosed copy of this letter. A self-addressed, stamped envelope is enclosed for your convenience.

Very truly yours,



Simon Luk

Enclosures

cc: Techtronic Industries Company Limited

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Partners: Simon Luk Carson Wen Michael P. Phillips Katherine C.M. U Susan C. Yu \* China-Appointed Attesting Officer  
35th Floor One Exchange Square 8 Connaught Place Central, Hong Kong www.hewm.com

**Hong Kong** Singapore San Francisco Silicon Valley Los Angeles San Diego Seattle Portland Anchorage  
New York Washington D.C. Madison, WI *Affiliated Offices:* Milan Paris Rome



## IN MY VIEW

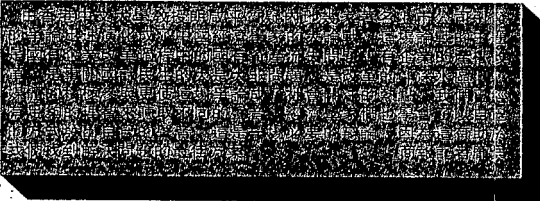






# 「颶風」掠「深水區」中國經濟學家大論戰

## 金融證券



## 朗颶風向國企改革發難 驚天言論引發軒然大波

「應暫停國有企業改革。國道民選了，整個國有資產轉移到誰手裡，是不是我們又倒退了？而且這些人連基本的法律都不懂，在這種情況下，中國的改革是不健全的，法律的機遇是不公平的，而且我們是大國，如果我們不採取一些措施，那我們就是大國，如果我們不採取一些措施，那我們就是大國，如果我們不採取一些措施，那我們就是大國。」



## 張維迎：應善待企業家 趙曉：國資流失僅個案

沉寂的內地經濟學界在媒體的質問中終於發出了自己的聲音。最有代表性的，要推來自大名鼎鼎的北京大學光華管理學院副院長張維迎和國務院國有資產監督管理委員會研究中心宏觀戰略部部長趙曉。8月26日，張維迎教授在「中國企業家論壇暨第四屆中國企業家年會」上，提出「國有企業改革應暫停」的觀點，引起在場企業家、學者、媒體的強烈反應。張維迎的主要觀點是：在國有企業改革過程中，國有資產流失嚴重，企業家利益受損，國有資產流失嚴重，企業家利益受損，國有資產流失嚴重，企業家利益受損。



## 部分著名學者缺席集體討論會 遭指責缺乏良知



會議一開始，朗威平連平不滿意地公開了「錢而不到」的學者名單：張維迎、趙曉、郎咸平、林毅夫、李善民。這些學者都是曾為中國經濟改革出過力量的重量級人物，他們也依然佔據著內地經濟學界的重要地位。

在這種關於國企改革的大論戰中，學者的良知也成了公眾關注的一個焦點。因為經濟學是「經濟學」的學問，經濟學家的良知和道德也自然成了人們關注的對象。在這些經濟學家的言論中，一些學者被指責為「國企改革」的「保母」，而另一些學者則被指責為「國企改革」的「主人」。



因為這是必然的選擇。與企業家當然也不能一概而論，他們雖然很多是華裔美國人，但很多人都具有很好的素質。對於朗威平所說的「國有企業比國有企業效率低」的觀點，趙曉也是不以為然的。朗威平所說的國有企業只是那些在當地政府所屬的大國有企業，而那些企業卻是那些在當地政府所屬的大國有企業，而那些企業卻是那些在當地政府所屬的大國有企業。

香港股市 深滬股市 專家報告			
 600183 生龍科技 買入價：5.70元，目標價：9.30元，止損價：5.40元，市盈：25倍，上收市價：8.73元	 388 中石化 上收市價：3.025元，買入價：3.00元，目標價：3.50元，止損價：2.90元，預開市盈：8.8倍	 6259 安博利藥片 上收市價：0.84元，買入價：0.84元，目標價：1.00元，止損價：0.75元，預開市盈：14倍	 600327 大慶股份 上收市價：5.57元，買入價：5.5元，目標價：6元，止損價：5元，市盈：26.76倍
 000623 寶德豐 買入價：5.70元，目標價：6.10元，止損價：5.40元，市盈：14倍，上收市價：5.75元	 194 華新藥業 上收市價：5.5元，買入價：5.30元，目標價：6.00元，止損價：5.10元，預開市盈：19倍	 183 中國國際金融 上收市價：3.10元，買入價：3.10元，目標價：3.70元，止損價：2.80元	 600276 恒通藥業 上收市價：9.97元，買入價：9.9元，目標價：10.5元，止損價：9元，市盈：25.91倍
-3.12%		+0.99%	
高，忽略不計		+1.665%	

## 國企領導：是「保母」還是「主人」

朗威平認為，中國不是一個「保母」，關鍵的問題是建立一個好的「保母」，即「國有企業市場」。要有一個「信託責任」制度，對於優秀的國有企業，國家可以考慮給予其國有企業應有的權利，但對於那些不優秀的國有企業，國家應該考慮將其國有企業轉讓給私人。朗威平認為，國有企業改革不是一個「保母」，關鍵的問題是建立一個好的「保母」，即「國有企業市場」。



上海實業控股有限公司  
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)  
(Stock Code: 0363)

## 2004 INTERIM RESULTS ANNOUNCEMENT

Co., Ltd. an A-share listed company in mainland China, the State-owned Assets Supervision and Administration Commission of the State Council approved the transfer of state-owned shares to the Group. In March, the Group also acquired a 55% stake in Liaoning Herbapec Pharmaceutical (Group) Company Limited for RMB85 million. The company's principal product – "Rupixian Tablet", which are used to treat fibrocystic disease – is now ranked among the Group's top five pharmaceutical products.

**Chinese Medicine and Health Food**

The Group maintained steady growth in its Chinese medicine and health food businesses. Sales revenue during the first half-year amounted to HK\$660 million. Among its various proprietary Chinese medicines, cardiovascular drugs achieved the highest sales total, amounting to more than HK\$250 million. Sales of its flagship product, "Shen Mai Jiu Xin Pills", increased by approximately 13.5% compared to the same period last year, while sales of "Xinbiang Pills" increased by 10.5%. The Group's proprietary analgesic drugs, increased sales by nearly 17% compared to the same period last year. As for the Group's health food products, sales of "Qingbianglu Beauty Capsules" totalled HK\$49.40 million in the first six months of 2010, up approximately 50.6% on the same period last year. Sales of "Qingbianglu Yang Zhen Tablets" totalled HK\$19.9 million between its launch last September and the end of June. The sales prospects for this product are promising. Sales of "Qingbianglu Anti-aging Tablets" totalled HK\$19.9 million between its launch last September and the end of June, up 19.8% compared to the first five years of the year, due to changes in its pricing strategy.

**Biomedicine**

Of all the Group's biomedical businesses, biomedicine possesses the greatest potential for future development. Research and development of genetic engineering making use of adenovirus drugs to combat tumours have been ongoing for five years, and they are making satisfactory progress. Phase II clinical trials for this product have been completed. It is expected to be certified as a State Clinical New Year drug by the State Food and Drug Administration in 1995. The adenovirus gene therapy will commence within the year. Phase II clinical trials for the H103 project to cure the spread of tumours commenced, whereas mechanism research for the H102 project to cure liver cancer was completed and various pre-clinical experiments are now underway. The "SunGon" gene medicine, which has already been launched, increased sales of approximately HK\$10.4 million during the first half year, representing an increase of approximately 22.8% compared to the same period last year. This product belongs to the category of white blood cells in cancer patients after chemotherapy and radiotherapy.

**Medical Equipment**

MicroPort Medical (Shanghai) Co. Ltd. ("MicroPort"), a company engaged in producing interventional therapy equipment such as heart catheters and stents, recorded an increase of approximately 1.2 folds in sales, compared to the same period last year. Applications for trial production of ocular stents and heart stent grafts for use in operation were made during the period under review; and these products are expected to receive certification by the State Food and Drug Administration in the first quarter of 2012. The "Elasticity" brand of drug stent products was granted certification for trial production. MicroPort thus became the first manufacturer in China to obtain a registration certificate for drug stent products. In May 2010, Otsuka of Japan became the major shareholder of MicroPort and such move will enhance market expansion for related products. During the period under review, Guangdong Brillight Medical Technology Co. Ltd. commenced the formal operation of its new Zhuhai branch, which is expected to increase the sales of interventional apparatus product series titled approximately US\$85.8 million during the first half year.

**Chemical Pharmaceuticals**

Shanghai Suvve Pharmaceutical Co., Ltd. ("Suvve Pharmaceutical") achieved a sales revenue of HK\$173.25 million during the first half of 2004. Sales of its key finished pharmaceutical products, "Suvvenox" Capsules and "Wei Shaoxin" Tablets, were both satisfactory, and approximately 38.9% higher than that in the same period last year. Among Suvve Pharmaceutical's seven major pharmaceutical product categories, its sulfa product series achieved the best sales performance, with sales revenue of more than HK\$27.90 million for the first half-year. Moreover, Suvve Pharmaceutical's multi-function "Suvve" brand has been awarded the "China's Top Brand" award for normal operations in April. This production line is intended to obtain GMP accreditation, and to produce small volumes of high value-added products to meet market needs.

**CONSUMER PRODUCTS**  
Consumer spending in mainland China is growing strongly, and national purchasing power continues to rise. These factors, together with a gradual turnaround in Hong Kong's retail market and the increasing number of tourists from mainland China, have created a strong and expanding market for the consumer products market. The Group, across all the Group's consumer products businesses, including tobacco and printing, daily necessities, and automobiles and parts, grew steadily during the first half of 2004. Their overall net profit amounted to approximately HK\$3346.9 million, an increase of around 30.5% over the same period last year, and they accounted for approximately 33.7% of the Group's net business profit<sup>1</sup>.

### Tobacco and Printing

The economic environment has improved worldwide. As a result, the sales of the On-Sale Successors results in the first half of HK\$865.01 million, which is a subperiod last year. Net profit amounted around 87.1% over the same period in China, Taiwan and Singapore, and is into the Korean market, achieving in cigarettes. Sales in Southeast Asia also business. Works commenced on Phase during April. The entire project is about Overall business performance of the during the period under review, with HK\$234.71 million, around 37.8% net profit margin was approximately 37.45. Net profit rate to approximately 11.5% compared in the same period in companies in mainland China also go Dongguan was completed at the end of facilities were installed and gradually printing business is expected to main year.

**Dairy Products**

Despite a slight slowdown in the growth as well as intense price competition continued to maintain double-digit gross sales revenue and net profit. During the year<sup>1</sup> achieved sales of HK\$3,054.2, the same period last year. Net profit HK\$42.73 million, up by around 15.5%.

Jianming Dairy, a joint-venture project, commenced formal operations during production bases for thermostatic pre-bundant milk supply. In June, Bright International Paper Company, a US-BMilk in China. During the period under seven categories, including two special "Bright Sleeping Milk". These two are the market since they were introduced in

The steady implementation of macro-automobiles and parts industry in mainland China during the first half of 2004, also manufacturing and sales have slow in mainland China, led by Shanghai Volkswagen in an effort to boost sales and reduce Group's member companies in Shanghai to a downturn in its profit margins. companies, including Shanghai Huichang Shanghai SMC Transportation Electric and JISC. However, they still achieved a million, about 15.1% more than that earnings of around HK\$91.44 million in about 14.2% more than that in the same measures will further impact the Group months, their effect is likely to be greater

**INFORMATION TECHNOLOGY**  
**Semiconductor Manufacturing**  
Investments in PRC's integrated circuit industry have increased significantly. Despite fluctuations in the growth of production capacity for wafer manufacturing, demand, thus offering tremendous growth. The market has enjoyed rapid business growth. In 2001, the Hong Kong and the United States, and the PRC from the new shares issued under the GSE. The Hong Kong Hang Seng Freefloat Mainland China's largest shareholder in SMIC. The Group's profit of approximately HK\$559.44 million.

## HIGHLIGHTS

- The Group set a record high for full-year profit for its nine subsidiaries, contributing to a record high for the Group's profit for the year. The profit for the year was approximately HK\$30,046 million, an increase from approximately HK\$27,210 million in 2007, comprising 89.2% compared with the same period last year. Earnings per share were around HK\$3.81 cents, up by approximately 8.5% on the same period last year.
- Interim dividend per share was HK\$0.20 cents, a rise of around 11% over the same period last year.
- The Shanghai Hu-Ning Expressway (Shanghai Section) operated satisfactorily and generated stable cash flows for the Group.
- The Group is making smooth progress with its water service investment projects in a number of provinces and cities, and the joint-venture company has won tenders for three projects.
- The overall operations of the Group's medicine business maintained continued solid growth. Regarding the Group's acquisition of a stake of approximately 55.63% in Shanghai Industrial United Holdings Co., Ltd., the State-owned Assets Reorganization and the Administration Commission of the State Council approved the transfer of the state-owned portion of the Group's shareholding. The acquisition is still pending approval by the Ministry of Commerce, as well as the China Securities Regulatory Commission's review. The Group has no obligation to make a general offer.
- Earnings from all the Group's manufacturing businesses, including tobacco, are primarily, dairy products, and automobiles and parts, grew steadily during the first half of 2008, and contributed materially recurring income to the Group.
- SINIC has expanded new business growth, and in March this year, was successully listed simultaneously in Hong Kong and the United States.

## INTERIM DIVIDEND

The Board of Directors of the Company has resolved to pay an interim dividend of HK20 cents (2003: HK18 cents) per share for the six months ended 30 June 2004. The dividend will be paid on 6 October 2004 (Wednesday) to shareholders whose names appear on the Register of Members of the Company on 30 September 2004 (Thursday).

### CLOSE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 September 2004 (Monday) to 30 September 2004 (Thursday), both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Secretaries Limited of 28/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. on 24 September 2004 (Friday).

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

was planned in connection with the Group's unsolicited consideration of the offer for the six months ended 30 June 2004 was approximately HK\$930.6 million, representing an increase of approximately 89.2% compared to the same period last year. It also set a new record for half-year profits since the Group's establishment and listing. The growth in profits was primarily attributable to the Group's continued expansion of its business in the period during this period, particularly for its consumer products business in which sales increased significantly with satisfactory earnings performance. Semiconductor Manufacturing International Corporation ("SMIC") recorded continued growth in its results, and Indium Corporation of America ("Indium") recorded growth in Hong Kong and the United States. Earnings per share was HK\$0.18, an increase of 10.2% compared to the same period last year. Earnings per share for the period, after deducting the exceptional items totaling approximately HK\$500 million relating to the information technology business, was approximately 15% higher than in the corresponding period last year. The Board of Directors has recommended a dividend of HK\$0.05 per share, which has been resolved from disposal of fixed-return investment projects. The Board of Directors has also resolved to recommend the payment of an interim dividend of HK\$0.20 cents per share on 6 October 2004, to shareholders whose names appear on the register of members of the

**INFRASTRUCTURE FACILITIES**

Over the past year, the Group restructured and strengthened its infrastructure business portfolio, which currently consists mainly of toll roads, water services and port facilities. All these projects possess great potential for further development, and they are expected gradually to build long-term, steady and substantial sources of income and cash flow for the Group. Net profit from its infrastructure facilities businesses during the first half of 2004 was approximately HK\$64.59 million, around 6.0% of the Group's net business profit\*.

### Toll-Roads

This has been the first year since the Group began operating the Shanghai Hu-Ning Expressway (Shanghai Section). During the period under review, the Group smoothly took over operating rights and related assets for this section of the Expressway, while ensuring the smooth flow of traffic and its orderly operation. Moreover, the Group successfully managed the flow of traffic during the peak Lunar New Year and Ching Ming Festival seasons, and also adopted effective measures to ensure smooth and safe traffic flow on the Shanghai Section while the operator of the Jiangsu Section undertook widening works in

June, Toll-free income resumed increase over this period. In general, the section operated satisfactorily during the first half of 2004. Vehicle flows increased significantly compared to the first half of the previous year, a period that saw both the SARS outbreak and pavement repair and construction works. Toll-free income rose steadily, totalling approximately HK\$103.49 million during the period between January and June, an increase of approximately 39.3% over the same period last year. Meanwhile, approximately 8.38 million vehicles passed along the section, about 46.4% more than that in the first half of last year.

### Water Services

The opening up of the water services market in China has created good opportunities for investors. The Group seized these opportunities and entered the water utility sector last year. Its joint-venture company has achieved a remarkable presence in the market during the few short months since it commenced formal operations last November. A professional investment team has been established, and it is participating in water services investment projects in a number of cities. The company has also won tenders for three projects: a 100,000 cubic metres per day water treatment plant in the north of Nanjing City, a 100,000 cubic metres per day water treatment plant in May, the joint-venture company entered into an agreement with the People's Government of Bengbu City, Anhui Province to acquire, for a consideration of RMB155.55 million, a 60% stake in Bengbu Water Supply Company Limited, which has a water production capacity of 400,000 tonnes per

dry.

**Port Facilities**

In recent years, the Shanghai port has seen rapid growth in container throughput, making it the world's largest container port terminal, and the world's largest in the country. This has created favorable conditions for the Group's Shanghai Pudong New Area Waigaoqiao Container Terminal Phase One Project. During the period under review, the terminal's throughput totalled 1.0 million TEUs, an increase of approximately 10.9% over the same period last year, while its net profit grew by approximately 11.9% to HK\$160.86 million.

During the period under review, the Group further optimized and realigned the structure of its infrastructure business portfolio, in line with its decision to terminate its investment in the EAS International Logistics and the EAS International Logistics project. In March 2014, the Group entered into a share transfer agreement with the EAS International Logistics, in accordance with the terms of the shareholders' agreement with this company's PRC partner and signed a share transfer agreement in late June 2014. The Group has been reimbursed for its ends investment in the project which is the Hong Kong dollar equivalent of RMB205 million.

## MEDICINE

During the period under review, the overall operations of the Group's medicine business maintained continued solid growth. Its turnover of HK\$607.04 million was an increase of approximately 5.6% over the same period last year. This business contributed a net profit of HK\$86.74 million to the Group, approximately 8.6% more than that for the corresponding period last year; and it accounted for approximately 8.1% of the Group's total net business profit<sup>1</sup>. The growth in its turnover slowed down, mainly because of the Group's production reduction of its key medicine brands, "Ginghuan" (skeletal muscle relaxant), "Fas" (antibiotic), "Fas" (antibiotic supplement product) in the national "Quality Standard" (drug classification). This policy required an adjustment in sales channels for the product, resulting in a temporary fall in sales. After the adjustment period, product sales are expected to pick up again gradually.

The Group took active measures to strengthen its medicine business. Following its acquisition of a stake of approximately 56.36% in Shanghai Industrial United Holding

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2004**

	30 June 2004 HK\$ '000 (unaudited)	31 December 2004 HK\$ '000 (audited)
<b>Non-Current Assets</b>		
Investment property	3,690	3,690
Property, plant and equipment	1,206,613	1,198,010
Toll road operating right	1,803,759	1,841,081
Goodwill	257,531	257,703
Interest in jointly controlled entities	2,224,981	2,133,335
Interest in associate	775,621	775,621
Investments in other projects	61,020	3,103,665
Investments in securities	515,456	584,974
Loans receivable	5,043	5,043
Deposits paid on acquisition of property, plant and equipment	58,045	29,011
	<b>9,908,770</b>	<b>9,350,266</b>
<b>Current Assets</b>		
Investments	443,134	203,500
Trade and other receivables	1,174,332	898,146
Investments in securities	8,121,252	1,168,744
Pledged bank deposits	39,167	41,765
Bank balances and cash	56,012,677	53,133,048
	<b>58,490,542</b>	<b>57,225,181</b>
<b>Current Liabilities</b>		
Trade and other payables	765,205	395,598
Taxation payable	187,380	116,240
Short-term bank and other borrowings	909,450	819,944
	<b>1,862,035</b>	<b>1,331,777</b>
<b>Net Current Assets</b>	<b>56,628,507</b>	<b>55,893,404</b>
	<b>16,537,177</b>	<b>15,743,671</b>
<b>Capital and Reserves</b>		
Share capital	94,994	94,571
Reserves	15,128,449	14,396,262
	<b>15,223,440</b>	<b>14,490,844</b>
<b>Minority Interest</b>	<b>411,518</b>	<b>380,934</b>
<b>Non-Current Liabilities</b>		
Long-term bank and other borrowings	831,089	800,000
Deferred taxation	71,270	71,290
	<b>902,359</b>	<b>871,290</b>
	<b>16,537,177</b>	<b>15,743,671</b>

(1) Independent Review

The interim results for the half-year ended 30 June 2004 are unaudited, but have been reviewed in accordance with Statement of Accounting Standards No. 700 "Statements of private issuer financial statements issued by the Hong Kong Society of Accountants, by Directors of Accounting", and the unaudited review report is included in the solicitor report to be presented to the security holders. The security holders have also been informed by the Group's Audit Committee.

(2) Principal Accounting Policies

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Statement of Standard Accounting Practice No. 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 5

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- 分享公司優厚潛力，倍添喜悅 — 基金潛在收益與指數表現掛鉤，受惠於全球50間龍頭企業的潛在上升表現

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請親臨以下各銀行查詢詳情：香港上海滙豐銀行、亞洲商業銀行、美國銀行(亞洲)、中信嘉華銀行、大新銀行、星展銀行、恒生銀行、中國工商銀行(亞洲)、廣創興銀行、豐明銀行及上海商業銀行。

HSBC 滙豐

由滙豐投資管理(香港)有限公司刊發

投資附帶風險。基金保證及其他詳情請參閱基金說明書。本基金初期只會將其資產約1.55% (按平市場情況而定) 投資於與掛鉤指數有關的期貨合約，因採用是項投資策略，基金的業績表現將會受到影響。保證人由滙豐銀行有限公司。1. 投資者在到期日認購單位，可享有最初投資本金保證。保證人適用於持有本基金至到期日的投資者。在到期日之前的所有交易，均完全受到基金資產價值變動所影響。於到期日前贖回基金的投資者，須承擔於認購時基金支付的對子費用及開支(約為基金資產總額的5.45%)。此等費用包括基金全期4.75年的管理費、信託費及保證費。2. 基金在有關收益日已發行的基金單位分別派發4次保證分派收益。該等保證分派收益的派發在收益日不獲保證。3. 本基金在計算其在到期日時會首先將按掛鉤指數計算所得的表現(按「新高價」機制計算)與以參與比率，然後按去保證分派收益。而不論是否按點對點計算指數的表現。若掛鉤指數在到期日內不斷上升，平均計算方法將會減低潛在回報。本基金的潛在收益不獲保證，而且須承受與掛鉤指數對手的信貸風險。

## 里昂：樓價明年底升35% 地產股俏

通脹重創配合家庭人口增加，里昂證券相信本港樓價尚有相當大的上升空間，並把明年底樓價升幅預測上調，由原來的15%大幅調升超過一倍至35%。同時，建議投資者可買入長江實業(0001)、新鴻基地產(0015)、恒基地產(0012)、信和置業(0083)及新世界發展(0017)。

圖為報記者 陳曉雲

里昂地產研究部主管John Saunders解釋，是次調升主要是因應本港經濟復甦，令通脹重現，預料明年實質利率(即名義利率減通脹率)會逐步接近零，加上

市場單位供應量不足，有利推高樓價，因此將至明年底的樓價升幅預測，由原來估計的15%升至35%。

## 數據顯示 單位供應不足

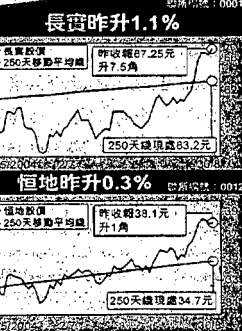
市場供求方面，區區地產局公布的数据，進一步支持銀行認為市場單位供應量不足。度產數據顯示，今年首7個月獲批動工樓宇單位數量約1.04萬個，量化後，全年的動工單位數量約1.78萬個。

由於發展商的策略已轉向「求價不求量」，銀行相信，每年的單位供應量會逐步遞減，估計今年、明年及後年的數量，分別約2.65萬、2.2萬及1.8萬個。假設每年獲批的單位動工量保持在上述計算的1.78萬個水平，則符合銀行預期至2007年單位供應量

1.8萬個。

## 萬吸長實新地恒地等

里昂指出，在通脹低經濟復甦時期，平均每年的單位供應量達2.95萬個，以此為基礎，相對於預期未來3年(2005年至2007年)平均每年約1.93萬個單位供應，明顯地出現了一缺口。在這種情況下，正好促使樓價有進一步上調的空間。由於銀行相信樓價將上升，因此不認為目前市面平均8至16倍的地產股價，加上該類股份的股價普遍過收，股價淨值折讓8%至55%，故該類股份仍會「超買大市」，建議買入的股份包括長實、新地及恒地等。



## 細紡廠投誠 魏橋成大贏家

內地政府致力扶持紡織業發展，就其去年棉價高企，亦不難理解。這使經營紡織業的小型棉紡廠紛紛投誠，尋求擴大生產。另外，棉紡廠亦紛紛投誠，尋求擴大生產。另外，棉紡廠亦紛紛投誠，尋求擴大生產。

事實上，棉紡廠在記者會上亦多番強調，魏橋作為全國最大的棉紡生產基地，在政府的行業整頓政策下，對棉業是絕對有利的。加上去年棉花價格暴漲，令棉價對棉廠的企業成本大增。

由於他們的價格相對較小，供應商寧願將貨供給大企業，形成「有價無市」的局面，令小型棉廠的經營環境「雪上加霜」，熬不住的只有關門大吉，這也造成了市場份額，自然會流向魏橋這類大企業。

市場份額流向龍頭大廠。由此可見，棉價的波動對這類小型棉廠企業帶來的傷害。不過，這並不代表魏橋會受到影響，只是棉價的波動而已，在成本及產量方面，魏橋的影響相對較微而已。以美國上季季報為例，受到棉價影響，加上毛利率較低的低價棉比例大增，通脹利潤縮減2.2個百分點至16.2%。

現時內地棉價已由年初高企每噸1.8萬元(人民幣，下同)回落，據悉預期，棉價將會企穩在1.3萬元水平。供求方面，他認為下半年國內棉花產量將較去年增加，美國亦會放寬棉花採購地，內地及進口棉的採購比例分別為15%及85%。圖本報記者 陳曉雲



## 堡獅龍研輕微加價

【本報訊】堡獅龍(0592)執行董事陳雲漢在股東會後表示，本港結束後的通脹後，該公司正研究是否調高產品售價。他相信，即使加價，亦極幅度亦有限。

該集團今年4至5月的銷售額，錄得雙位數字增長，與零售市場數字相若。陳雲漢稱，希望今年財政年度亦可達至雙位數字增長的目標。不過，他指出，由於去年爆發非典型肺炎，導致比較基數較低，故今年4至5月銷售額的升幅將約7至8%為高。

## 舖租加幅10%內

該公司計劃，今年財政年度內在本港開設5間新店，其現時地產局中，租金升幅將在10%之內，若租金增加10%，經營成本則會升2%。該公司會控制租金佔銷售額20%以內水平。他指，該集團正考慮在3至5年後發展東南亞及東歐市場，包括馬來西亞、印尼、印度、南韓、波蘭及捷克等地。

## 上商多賺39% 推人民幣卡

【本報訊】受惠於來港旅遊人數80%至2,100萬元，及非利息收入大幅增長27.4%至411億元，上海商業銀行上半年淨利潤6.61億元，升39%。該行董事兼總經理趙建強表示，下半年加息幅度不會太大，估計財富產品銷售及證券收入有上升空間，其佔總收入的比例，將由現時的38%持續增長。

繼中銀後 推人民幣卡。此外，該行將於9月初推出供港人使用的人民幣信用卡，成為繼中銀後第二間推出人民幣信用卡的銀行。該行信用卡部總經理王健表示，期望1年內發卡量達1萬張。該卡首3年免年費，其後金卡及普卡的手費分別為480元(人民幣，下同)及240元，年息為每月1.5厘，每月利息則為19厘多。

該行上半年沒有出現面額，業績穩健主要因為經營環境良好，使撥備大減。不過，孫建強稱，下半年該行會否被面額及撥備會否下降，仍言之尚早。

## 安捷利中期多賺2.8倍

【本報訊】安捷利電路(Analogic printed circuit)即可把電路板直接安裝到電路板上(9208)公布上月份中期業績，截至今年6月底止半年，集團錄得純利2,022萬元，較去年同期大增2.8倍；每股盈利5.05仙。董事會不建議派發中期股息，集團董事亦急增1.55倍至1.29元。

回顧期內，多項業務表現良好，帶動毛利大增3.8個百分點至28.9%，業務分布亦趨均衡，內地仍為集團業務的主要市場，銷售額達1.21億元，佔總銷售額的93.6%，其餘來自香港市場。

安捷利昨收收3.9元，無升跌。

1. *Pharmaceutical Innovation and the Role of the State*  
 2. *The Impact of Patent Law on Drug Development*  
 3. *The Role of Government in Regulating the Pharmaceutical Industry*  
 4. *The Impact of Globalization on the Pharmaceutical Industry*  
 5. *The Role of the Pharmaceutical Industry in Public Health*  
 6. *The Impact of the Pharmaceutical Industry on the Environment*  
 7. *The Role of the Pharmaceutical Industry in the Development of New Drugs*  
 8. *The Impact of the Pharmaceutical Industry on the Health of the Poor*  
 9. *The Role of the Pharmaceutical Industry in the Development of New Technologies*  
 10. *The Impact of the Pharmaceutical Industry on the Health of the Elderly*  
 11. *The Role of the Pharmaceutical Industry in the Development of New Therapies*  
 12. *The Impact of the Pharmaceutical Industry on the Health of the Young*  
 13. *The Role of the Pharmaceutical Industry in the Development of New Vaccines*  
 14. *The Impact of the Pharmaceutical Industry on the Health of the Sick*  
 15. *The Role of the Pharmaceutical Industry in the Development of New Diagnostics*  
 16. *The Impact of the Pharmaceutical Industry on the Health of the Disabled*  
 17. *The Role of the Pharmaceutical Industry in the Development of New Medical Devices*  
 18. *The Impact of the Pharmaceutical Industry on the Health of the Infants*  
 19. *The Role of the Pharmaceutical Industry in the Development of New Surgical Procedures*  
 20. *The Impact of the Pharmaceutical Industry on the Health of the Pregnant Women*  
 21. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Cancer*  
 22. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Chronic Diseases*  
 23. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Mental Illness*  
 24. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Dementia*  
 25. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Alzheimer's Disease*  
 26. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Parkinson's Disease*  
 27. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Multiple Sclerosis*  
 28. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Rheumatoid Arthritis*  
 29. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Osteoarthritis*  
 30. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Osteoporosis*  
 31. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Diabetes*  
 32. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Hypertension*  
 33. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Heart Disease*  
 34. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Stroke*  
 35. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Lung Disease*  
 36. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with COPD*  
 37. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Asthma*  
 38. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Allergies*  
 39. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Autoimmune Diseases*  
 40. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Chronic Kidney Disease*  
 41. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Endocrine Disorders*  
 42. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Thyroid Disease*  
 43. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Reproductive Health Issues*  
 44. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Menopausal Symptoms*  
 45. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Fertility Issues*  
 46. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Infertility*  
 47. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Infertility*  
 48. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Infertility*  
 49. *The Role of the Pharmaceutical Industry in the Development of New Treatments for Infertility*  
 50. *The Impact of the Pharmaceutical Industry on the Health of the Elderly with Infertility*





# Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

## Announcement of results for the period ended 30th June, 2004

### Highlights

	2004	2003	Changes
Turnover	HK\$ 6,724	HK\$ 4,815	+ 39.7%
Profit for the period	299	211	+ 41.8%
Earnings per share – basic (HK cents)	22.49	16.28	+38.2%
Interim dividend per share (HK cents)	4.500	3.625	+ 24.1%

The Board of Directors are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2004 together with the comparative figures for 2003.

### Interim Dividend

The Directors recommend an interim dividend of HK\$1,500 cents per share (2003 interim dividend: HK\$1,625 cents). The interim dividend will be paid to shareholders listed on the register of members of the Company on 17th September, 2004. It is expected that the interim dividend will be paid on or about 30th September, 2004.

### Management's Discussion and Analysis

TTI continued to deliver record results with strong performance across all divisions in the first half of 2004. Total Group turnover for the period under review was HK\$6,724 million, an increase of 39.7% over the same period of 2003. Net profit rose by 41.8% to HK\$299 million. Earnings per share grew 38.2% to HK22.49 cents. The Board is recommending an interim dividend of HK\$4.500 cents, as compared with HK\$3.625 cents in the interim of 2003 when adjusted for the stock split.

We recorded high double-digit revenue growth across all lines of business and in all geographic markets. This, again, demonstrates the Group's leading position in the home improvement industry. Our success has been driven by our ability to deliver innovative new products and high impact marketing programmes, capitalising on TTI's status of well-recognised brands and providing our customers with high quality products and services.

During the six months under review, we had two major business developments. Firstly, we have added and integrated the Ryobi brand for the outdoor product category in North America into our operations. Secondly, following the success of the initial launch of the RIDGID line in the fourth quarter of 2003, the Group, in collaboration with The Home Depot, has continued the marketing efforts and achieved further penetration of the professional power tool category.

We improved our gross margin despite pressure from rising raw materials prices, by further rationalising our operations, leveraging our economies of scale and centralising key group-wide purchasing functions. Net margin was comparable to last year despite higher amortisation on goodwill associated with the purchase of the Ryobi operation.

### Business Review

#### Power Equipment Products

Turnover for the power equipment products division increased by a robust 35.5% over the same period of 2003 to HK\$2,112 million, accounting for 70.1% of Group turnover. Growth was seen in all key markets and at product segments, as we continued to gain market share.

In North America, our well-established Ryobi consumer power tool line continued to deliver strong organic growth, driven by value share-level sales programmes with our retail partner and exciting promotions. The RIDGID professional grade power tools continue to sell well on their merits of innovation, durability and quality. Both Ryobi and RIDGID have successfully been positioned to achieve differentiation from other power tool brands.

In Europe, we are on track in expanding our presence. All our major markets recorded strong sales and profit expansion as a result of better brand positioning and introduction of new products. In continental Europe, despite a weaker economy overall, new Ryobi branded products launched during the period were well received and allowed us to increase market presence in countries such as the United Kingdom, Germany, France, Spain and Italy. The sales expansion was also supported by improved after sales service and the further development of the website, which has enhanced productivity by allowing online ordering of parts.

In the outdoor category, Homelite and Ryobi saw considerable revenue growth in North America with strong demand and improved supply chain management. Ryobi outdoor products in Europe delivered significant gains over the last year, also reflecting positive demand for the products.

#### Power Care Appliances

Turnover at the floor care appliances division rose by 53.1% over the same period of last year to HK\$1,717 million, accounting for 25.5% of Group turnover.

Royal Appliance Int'l Co. (Royal) continued making progress as it gained product listings at its major retail customers with new products. Benefiting from its integration with TTI Group, Royal has improved its cost structure in North America and streamlined the product development process.

We also made good progress in its markets. Our UK operation delivered exceptional revenue growth as existing inventory was cleared and new models fully developed with Royal were introduced under the Vax brand. Cost containment programmes and new unique products are positively impacting margins.

We also continued to strengthen our OEM business, which experienced rapid growth as we provided customers with well-specified products and entered into new contracts with two major brand name companies.

#### Solar Powered, Laser and Electronic Measuring Products

Our solar powered, laser and electronic measuring products business again had an excellent first year. Turnover increased over the same period of 2003 by 30.6% to HK\$295 million, accounting for 4.4% of Group turnover. Sales were driven by an expanded product offering in all categories. Our investment in technology is enabling the business to respond more rapidly to the market needs for innovative new products.

### Financial Review

#### Result Analysis

The Group reported a revenue growth of 39.7% for the period under review to HK\$6,724 million, contributed by strong organic growth of all business units and major markets. Profit for the period increased by 41.8% to HK\$299 million. Earnings per share increased by 38.2% to HK22.49 cents.

Gross margins improved from 26.5% in the first six months of 2003 to 29.8% during the period under review. The improvement was the result of favourable product mix, combined with the Group's ability to leverage on the expanded volume of business and new markets. When compared to the 26.6% gross margin reported for the full year of 2003, the margin also improved, demonstrating that our overall margins have not been affected by the increase in various raw material and component costs since the fourth quarter of 2003.

The Group's own brand business continued to expand, its sales contribution increasing from 59.0% to 74.1% in the first half of 2004, representing an increase of 75.2%. As a result, selling, distribution, advertising and warranty expenses as a percentage of sales increased from 9.2% to 10.3%.

To maintain the growth momentum, the Group continued to make investments in the design and development of innovative, high quality products. For the six months under review, the Group spent HK\$165 million or 2.5% of Group turnover on the design and development of new products, as compared to 1.5% reported last year. The increase in administrative expenses was due to the higher amortisation of goodwill associated with the purchase of the Ryobi operation, as well as an increase in staff costs, following the Group's strategy to increase and improve the quality of its financial resources.

#### Liquidity and Financial Resources

The Group's working capital position remained healthy. As at 30th June, 2004, net current assets stood at HK\$2.15 billion as compared to HK\$1.62 billion as at 30th June, 2003 and HK\$1.96 billion as at 31st December, 2003. The Group's working capital requirement is normally higher in the first half year as it prepares for the peak seasonal period in the second half. As the Group's cash flow generating capacity remains strong, the working capital position is expected to further improve by the end of the year.

Total inventory value only increased by 1.5% as compared to the balance as at 31st December, 2003 despite the fact that revenue increased by over 39.7%. Average inventory days was at 58 days, an improvement of 10 days when compared to inventory turnover of the same period last year. Trade receivables improved by 2 days to 48 days when compared to same period last year.

Trade and other payables were at 53 days and bills payable were at 60 days, as compared to 63 days and 55 days respectively in the corresponding period of 2003.

The Group was in a net cash position as at 30th June, 2004, as compared to a gearing level of 53.1% reported for the same date last year. The gearing ratio is expressed as a percentage of total borrowings to total equity. Total borrowings improved from HK\$2.37 billion reported last period to HK\$1.96 billion for the period under review, and no material change in total borrowings when compared to the balance as at 31st December, 2003.

The Group's major borrowings are in US Dollars and HK Dollars. Other than the fixed interest rate loans issued last year, borrowings are all based on LIBOR or HK fixed lending rates. As the majority of the Group's revenues are in US Dollars and payments and payments are also in US Dollars or HK Dollars, the currency risk exposure is relatively low, since there is a natural hedging mechanism in place. The Group continues to monitor and manage its currency and interest rate exposures.

Net interest expenses for the period under review amounted to HK\$53 million, an increase of only HK\$3 million when compared to the same period last year. Interest coverage, expressed as a multiple of profit before interest and tax to total net interest was 10.35 times, an improvement from the 8.17 times reported for the first six months of 2003.

Capital expenditures for the period amounted to HK\$124 million, and was in accordance to the Group's budget and guideline. Depreciation charges for the period under review were HK\$161 million.

#### Issue of Zero Coupon Convertible Bonds

On 16th June, 2004, the Group announced the issue of five year Zero Coupon Convertible Bonds at par. The aggregate principal amount of the Bonds was US\$140 million (approximately HK\$1,082 million). The bonds will be issued in two tranches. The first tranche of the Bonds, representing 50% of the aggregate principal amount, will be issued on 16th June, 2004. Assuming full conversion of the Bonds at the initial conversion price of HK\$16.56 per share, the Bonds will be converted into approximately 55,222,588 shares, representing approximately 4.93% of the issued share capital of the Company as at the date of announcement and approximately 4.73% of the issued share capital of the Company as at the date of the conversion shares. Unless previously redeemed, converted or purchased and cancelled, the company will request each Bond at 107.76% of its principal amount on the maturity date of 16th June, 2009. However, on or after 16th June, 2007 and prior to the maturity date, the holder of each Bond will have the right at his/her sole discretion to require the Company to redeem all or some of the Bonds at 104.59% of their principal amount.

The Bonds were issued immediately funds that can be used for general corporate and working capital purposes and to finance possible acquisitions and when needed will enhance the shareholder capital base, which will facilitate the development and expansion of the Company.

The issue of the Bonds was successfully closed on 8th July, 2004.

#### Capital Commitment and Contingent Liabilities

As at 30th June, 2004, the capital commitment not provided for in respect of land in Dongguan, Mainland China amounted to approximately HK\$28 million. Total capital commitment as at 30th June, 2004 amounted to HK\$1.23 million compared to HK\$650 million as at 31st December, 2003.

There are no material contingent liabilities or off balance sheet obligations other than trade bills discounted in the ordinary course of business.

### Changes

None of the Group's assets are charged or subject to any encumbrance.

### Human Resources

The Group employed a total of 16,294 employees (2003: 16,112 employees) in Hong Kong and overseas. Total staff costs for the period under review amounted to HK\$497 million as compared to HK\$492 million same period last year. The increase was due to the expansion of the Group's operations.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve the quality, competence and skills of all employees. It provides job related training to all staff.

The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employees.

### Outlook

Looking into the second half of 2004, we have every reason to be confident that the strong growth momentum will be maintained. The TTI Group will continue to expand its product categories. Capitalising on our brands, we will be able to offer a wider range of quality and innovative products to our customers.

Power tools will benefit from the planned introduction of new Ryobi tools in all geographic markets. In addition, with RIDGID products strategically positioned in the market, we expect even stronger growth during the second half of the year as we expand further in the professional power tool segment.

In outdoor power equipment, having both the Ryobi and Homelite brands, we will continue to strengthen our product platform, ensuring a wider range of products to a much broader customer base.

In floor care products, Dett David will drive revenues through new product placements at retail, supported by stronger marketing efforts. We expect sales to continue to accelerate performance. As we extend the product range, deepen customer relationships and increase advertising to promote brand awareness, while we continue to grow our business in floor care, efficiency gains and cost reduction efforts will positively impact margins.

For the solar powered, laser and electronic measuring business, we expect sales growth in all product segments and markets. The division will continue to expand by increasing its product offerings in new market areas products, while accelerating the development and launch of new electronic hand tools and laser tools. In addition, we will invest in revolutionary patented technology for the solar category to ensure continued flow of innovative products to the market.

In summary, TTI is well positioned to deliver high growth results for 2004. Despite the economic uncertainties, experience shows that our businesses are largely resilient to changes in housing construction activities. Our expansion momentum will be driven by further product and market diversification. While maintaining our focus on our core businesses, we will seize opportunities to expand into segments of these markets where the Group can unlock their potential. The consumer and our shareholders stand to benefit as the growth continues.

### Audit Committee

The Audit Committee is composed of a majority of independent non-executive directors. The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30th June, 2004.

### Compliance with the Code of Best Practice

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company is in, or was not in, full compliance with the provisions of the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

### Purchase, Sale or Redemption of Shares

There has been no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

### Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 13th September, 2004 to Friday, 17th September, 2004, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Secretaries Limited, at 9/F, 6EA Harbour View, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 12th September, 2004.

### Publication of Interim Results on Website

The financial information required to be disclosed under paragraphs 46C(1) to 46E(1) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and TTI's website at [www.tti.com.hk](http://www.tti.com.hk) in due course.

### Board of Directors

As at the date of this announcement, the Board of Directors of the Company comprises five executive directors, namely Mr. Horst J. Puchelt, Mr. Roy Chi Ping Chung, Mr. Patrick Kin Wai Chan, Mr. Frank Chi Chung Chan, Dr. Alex Urakami, and three independent non-executive directors, namely Mr. Vincent Tin Kau Cheung, Mr. Joel Arthur Schreiner and Mr. Christopher Patrick Langley.

### By Order of the Board

Horst J. Puchelt  
Chairman and Chief Executive Officer

Hong Kong, 12th August, 2004

### Results Summary

	2004	2003
Turnover	2	6,724,113
Cost of sales	(4,720,044)	(3,516,725)
Gross profit	2,004,071	1,204,924
Other operating income	14,074	33,377
Interest income	22,155	5,361
Selling, distribution, advertising and warranty expenses	(693,737)	(474,426)
Administrative expenses	(762,714)	(496,323)
Research and development costs	(164,759)	(65,842)
Profit from operations	3	419,090
Finance costs	(58,702)	(38,990)
Profit before share of results of associates and taxation	360,388	254,081
Share of results of associates	(626)	167
Profit before taxation	359,762	254,248
Taxation	4	(42,677)
Profit before minority interests	317,085	223,831
Minority interests	(16,227)	(13,008)
Profit for the period	298,858	210,823
Dividend	6	(118,444)
Earnings per share	7	
Basic	22.49 cents	16.28 cents
Diluted	21.78 cents	15.91 cents

### Condensed Consolidated Balance Sheet

	30th June 2004	31st December 2003
Assets	2004	2003
Non-current assets	(Unaudited)	(Audited)
Property, plant and equipment	963,915	904,356
Goodwill	635,880	552,760
Negative goodwill	(31,023)	(33,179)
Intangible assets	178,659	25,154
Investments in associates	132,124	118,394
Investments in securities	38,608	41,419
Deferred tax assets	300,706	273,397
Other assets	1,195	1,195
	2,119,774	1,994,040
Current assets	2,539,274	2,491,650
Trade and other receivables	1,579,099	2,197,789
Deposits and prepayments	238,424	293,408
Bills receivable	122,984	35,408
Investments in securities	9,615	5,575
Tax receivable	1,123	51,274
Trade receivable from associates	40	48
Bank balances, deposits and cash	1,970,998	2,586,073
	6,547,577	7,662,228
Current liabilities	3,827,925	4,894,161
Trade, bills and other payables	1,832,122	2,058,552
Warranty provision	9,319	3,230
Trade payable to an associate	108,165	68,114
Dividend payable	116,444	—
Obligations under finance leases – due within one year	2,988	5,485
Borrowings – due within one year	545,011	497,975
	4,398,374	5,677,517
Net current assets	2,149,203	1,984,711
Total assets less current liabilities	4,268,977	3,968,751
CAPITAL AND RESERVES		
Share capital	133,663	132,497
Reserves	2,614,167	2,380,387
	2,747,830	2,512,884
MINORITY INTERESTS	64,801	46,274
NON-CURRENT LIABILITIES		
Obligations under finance leases – due after one year	3,148	14,261
Borrowings – due after one year	1,405,488	1,348,497
Deferred tax liabilities	47,909	46,725
	1,456,544	1,409,493
	4,268,977	3,968,751

### Notes to the Financial Statements (Unaudited)

1. Basis of Preparation  
The unaudited interim results of the Group have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants on a basis consistent with the accounting policies adopted in the report and financial statements for the year ended 31st December, 2003.

Certain comparative figures have been reclassified to conform with the current period's presentation.

### 2. Segment Information

	Six months period ended 30th June			
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacture and trading of power equipment products	4,711,892	3,467,171	294,282	196,682
Floor care appliances	1,717,292	1,121,715	86,487	56,135
Solar powered, laser and electronic measuring products	294,911	255,763	99,878	41,596
	6,724,113	4,814,549	484,118	294,513
Amortisation of goodwill			(17,180)	(7,896)
Release of negative goodwill to income			2,182	2,182
Contributions to profit from operations			418,090	293,017
By geographical market location:				
North America	8,239,245	3,784,207	344,433	236,067
Europe	1,084,364	786,976	66,244	43,059
Other countries	880,506	753,466	1,431	1,532
	6,724,113	4,814,549	484,118	294,513
Amortisation of goodwill			(17,180)	(7,896)
Release of negative goodwill to income			2,182	2,182
Contributions to profit from operations			418,090	293,017

### 3. Profit from Operations

	Six months period ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	160,748	137,085
Amortisation of intangible assets	6,937	2,531
Amortisation of goodwill	17,180	7,896
Release of negative goodwill to income	(2,182)	(2,182)
Staff costs	646,296	492,411

### 4. Taxation

	Six months period ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
The total tax charge comprises:		
Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the period	33,331	23,009
Overseas Tax	14,901	7,266
Deferred Tax	(5,182)	1,122
	42,677	30,437

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

### 5. Share Substitution

On 29th May, 2004, ordinary resolutions were passed by the shareholders of the Company to approve the increase in the "authorized share capital of the Company to HK\$40,000,000" (the "increase") of each issued and unissued share of HK\$0.20 in the authorized share capital into two ordinary shares of HK\$0.10 each. The increase and the substitution became effective on 29th and 31st May, 2004 respectively.

### 6. Dividend

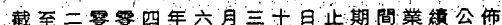
The 2003 final dividend declared at HK\$1.75 cents and 2003 interim dividend paid at HK\$1.75 cents per existing share are adjusted to HK\$1.875 cents and HK\$1.875 cents per Substituted share respectively.

### 7. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months period ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period	298,858	210,823
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,328,991,297	1,293,461,764
Effect of dilutive potential ordinary shares:		
Options	43,371,833	29,424,128
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,372,327,148	1,324,905,892
The comparative amounts of the earnings per share and weighted average number of ordinary shares have been adjusted for the effect of the Substitution of the Company's shares during the period.		

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Techtronic Industries

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interim report 2004



# corporate profile

Corporation Industries Co., Ltd. (CII of the Group) is a global leader in the design, manufacture and sale of home improvement products, with sales of HK\$13.18 billion (US\$1.69 billion). Its principal areas of business are power tools, outdoor power equipment, floor care appliances, solar-powered, laser and electronic measuring products,

maintaining an expanding stable of well-established and fast-growing brands, including Ryobi® power tools, Ryobi® and Homelite® outdoor power equipment and Royal®, Hoover®, Regina® and Vax® floor care appliances.

These branded products are sold in close collaboration with many of the world's major retailers in North America, Europe and Australasia.

CII is the preferred partner of other leading home improvement brands. For retailers, CII provides a comprehensive service to produce a complete product range sold under their own private labels. For independent brands, CII works on an original equipment and original design manufacturing (OEM/ODM) basis, providing custom solutions that cover product design, engineering, manufacture, supply chain management and product support.

CII is headquartered in Hong Kong and maintains manufacturing and research facilities in Asia and North America, as well as a customer servicing network in North America, Europe and Australasia. It employs approximately 16,300 people worldwide.

Founded in 1985, CII has achieved consistent average revenue growth of 39% annually for the previous years. It has been listed on the Stock Exchange of Hong Kong since 1991 (SEHK: 669) and maintains a Level 1 American Depositary Receipt (ADR) programme through the Bank of New York (ADR: CINDY). CII has been honoured many times from customers, publications and other organisations.

# financial highlights

	2004	2003	2004	2003	Changes
for the six months period ended 30th June	HK\$ m	HK\$ m	US\$ m	US\$ m	%

## RESULTS

Turnover	6,724	4,815	862	617	+39.7
Profit for the period	299	211	38	27	+41.8
Earnings per share, basic (HK / US cents)	22.49	16.28	2.88	2.09	+38.2
Interim dividend per share (HK / US cents)	4.500	3.625	0.577	0.465	+24.1

## FINANCIAL POSITION

Shareholders' fund	2,748	2,513*	352	322*	+9.3
Book value per share (HK\$ / US\$)	2.06	1.90*	0.26	0.24*	+8.4
Gearing ratio	Net Cash	Net Cash*	Net Cash	Net Cash*	N/A

## TURNOVER BY PRINCIPAL ACTIVITY

Power equipment products	4,712	70%	3,467	72%	604	444	+35.9
Floor care appliances	1,717	26%	1,122	23%	220	144	+53.1
Solar powered, laser and electronic measuring products	295	4%	226	5%	38	29	+30.6

## TURNOVER BY GEOGRAPHICAL MARKET LOCATION

North America	5,259	78%	3,784	79%	674	485	+39.0
Europe	1,084	16%	767	16%	139	98	+41.4
Other countries	381	6%	264	5%	49	34	+44.4

\* as at 31st December, 2003

# management's discussion and analysis

TTI continued to deliver record results with strong performance across all divisions in the first half of 2004. Total Group turnover for the period under review was HK\$6,724 million, an increase of 39.7% over the same period of 2003. Net profit rose by 41.8% to HK\$299 million. Earnings per share grew 38.2% to HK22.49 cents. The Directors recommend an interim dividend of HK4.500 cents, as compared with HK3.625 cents at the interim of 2003 when adjusted for the stock split.

We recorded high double-digit revenue growth across all lines of business and in all geographic markets. This, again, demonstrates the Group's leading position in the home improvement industry. Our success has been driven by our ability to deliver innovative new products and high impact marketing programmes, capitalising on TTI's stable of well-recognised brands and providing our customers with high quality products and services.

During the six months under review, we had two major business developments. Firstly, we have added and integrated the Ryobi brand for the outdoor power equipment category in North America into our operations. Secondly, following the success of the initial launch of the RIDGID® line in the fourth quarter of 2003, the Group, in collaboration with The Home Depot (the world's largest home improvement specialty retailer), has continued the marketing efforts and achieved further penetration of the professional power tool category.

We improved our gross margin despite pressure from rising raw material prices, by further rationalising our operations, leveraging our economies of scale and centralising key group-wide purchasing functions. Net margin was comparable to last year despite higher amortisation on goodwill associated with the purchase of the Royal Appliance Mfg. Co. (Royal).

TTI's balance sheet continues to reflect significant liquidity and a strong capital base. In June 2004, we have announced the issue of US\$140 million five year Zero Coupon Convertible Bonds, which was well received by a broad range of investors. Our solid financial position will enable us to invest in future growth.

## BUSINESS REVIEW

### Power Equipment Products

Turnover for the power equipment products division increased by a robust 35.9% over the same period of 2003 to HK\$4,712 million, accounting for 70.1% of Group turnover. Growth was seen in all key markets and all product segments, as we continued to gain market share.

In North America, our well-established Ryobi consumer power tool line continued to deliver strong organic growth, driven by value store-level service programmes with our retail partner and exciting marketing plans. The RIDGID® professional grade power tools continue to sell well on their merits of innovation, durability and quality. Both Ryobi and RIDGID® have successfully been positioned to achieve differentiation from other power tool brands. The RIDGID® tools have been recommended by a number of trade magazines as "Best Value" products. TTI has also earned a Silver 2004 Industrial Design Excellence Award (IDEA) for its design strategy used in the line of 35 RIDGID® brand professional power tools.



In Europe, we are on track in expanding our presence. All our major markets recorded strong sales and profit expansion as a result of better brand positioning and introduction of new products. In continental Europe, despite a weaker economy overall, new Ryobi branded products launched during the period were well received and allowed us to increase market presence in countries such as the United Kingdom, Germany, France, Spain and Italy. The sales expansion was also supported by improved after-sales service and the further development of the website, which has enhanced productivity by allowing on-line ordering of parts.

In the outdoor power equipment category, Homelite and Ryobi saw considerable revenue growth in North America with strong demand and improved supply chain management. Ryobi outdoor products in Europe delivered significant gains over the last year, also reflecting positive demand for the products.

### **Floor Care Appliances**

Turnover at the floor care appliances division rose by 53.1% over the same period of last year to HK\$1,717 million, accounting for 25.5% of Group turnover.

Royal continued making progress as it gained product listings at its major retail customers with new products. Benefiting from its integration with the Group, Royal has improved its cost structure in North America and streamlined the product development process. Much of these savings will be invested in marketing the powerful "Dirt Devil" brand of floor care products. The European operation continued to deliver spectacular growth, especially in Germany, rising to the number two position.

Vax also made good progress in its markets. Our UK operation delivered exceptional revenue growth as existing inventory was cleared and new models jointly developed with Royal were introduced under the Vax brand. Cost containment programmes and new unique products are positively impacting margins. In Australia, Vax gained national supplier status from its main customer and continues to meet its growth plan.

We also continued to strengthen our OEM business, which experienced rapid growth as we provided customers with well-received products and entered into new contracts with two major brand name companies.

### **Solar Powered, Laser and Electronic Measuring Products**

Our solar powered, laser and electronic measuring products business again had an excellent half year. Turnover increased over the same period of 2003 by 30.6% to HK\$295 million, accounting for 4.4% of Group turnover. Sales were driven by an expanded product offering in all categories. Our recent investment in technology is enabling the business to respond more rapidly to the market needs for innovative new products.

### **PRODUCTION AND LOGISTICS**

The Group remained focused on improving its inventory management, with new monitoring procedures put in place. Under these efforts, the Group has been strengthening customer relationships by integrating their requirements into our ordering and forecasting systems, reducing inventory and improving productivity for both TTI and its customers.

During the first half of the year, the Group has completed the restructuring of Royal's operations, in line with the Group's overall strategy of ensuring cost-effective manufacturing. With ongoing integration programmes at Royal, this will further reduce its fixed cost base.

## OUTLOOK

Looking into the second half of 2004, we have every reason to be confident that the strong growth momentum will be maintained. The Group will continue to expand its product categories. Capitalising on our brands, we will be able to offer a wider range of quality and innovative products to our customers.

Power tools will benefit from the planned introduction of new Ryobi tools in all geographic markets. In addition, with RIDGID® now firmly positioned in the marketplace, we anticipate even stronger growth during the second half of the year as we expand further in the professional power tools segment.

In outdoor power equipment, having both the Ryobi and Homelite brands, we will continue to strengthen our product platform, ensuring a wider range of products to a much broader customer base.

In floor care products, Dirt Devil will drive revenues through new product placements at retail, supported by stronger marketing efforts. We expect Vax to continue its excellent performance, as we extend the product range, deepen customer relationships and increase advertising to promote brand awareness. While we continue to grow our business in floor care, efficiency gains and cost reduction efforts will positively impact margins.

For the solar powered, laser and electronic measuring business, we expect sales growth in all product segments and markets. The division will continue to expand by increasing its product offerings in new infant care products, while accelerating the development and launch of new electronic hand tools and laser tools. In addition, we will invest in revolutionary patented technology for the solar category to ensure continued flow of innovative products to the market.

In summary, TTI is well positioned to deliver high growth for 2004. Despite the economic uncertainties, experience shows that our businesses are largely resilient to changes in housing construction activities. Our expansion momentum will be driven by further product and market diversification. While maintaining our focus on our core businesses, we will seize opportunities to expand into segments of these markets where the Group can unlock their potential. The consumer and our shareholders stand to benefit as the growth continues.

# financial review

## Results Analysis

The Group reported a revenue growth of 39.7% for the period under review to HK\$6,724 million, contributed by strong organic growth of all business units and major markets. Profit for the period increased by 41.8% to HK\$299 million. Earnings per share increased by 38.2% to HK22.49 cents.

Gross margin improved from 26.9% in the first six months of 2003 to 29.8% for the period under review. The improvement was the result of favourable product mix, combined with the Group's ability to leverage the expanded volume of business and new markets. When compared to the 29.6% gross margin reported for the full year 2003, the margin also improved, demonstrating that our overall margins have not been affected by the increase in various raw material and component costs since the fourth quarter of 2003.

The Group's own brand business continued to expand, its sales contribution increasing from 59.0% to 74.1% in the first half of 2004, representing an increase of 75.2%. As a result, selling, distribution, advertising and warranty expenses as a percentage of Group turnover increased from 9.9% to 10.3%.

To maintain the growth momentum, the Group continued to make investments in the design and development of innovative, high quality products. For the six months under review, the Group spent HK\$165 million or 2.5% of Group turnover on the design and development of new products, as compared to 1.5% reported last year. The rise in administrative expenses was due to the higher amortisation of goodwill associated with the purchase of the Royal operation, as well as an increase in staff costs, following the Group's strategy to improve the quality of its management resources.

## Liquidity and Financial Resources

The Group's working capital position remained healthy. As at 30th June, 2004, net current assets stood at HK\$2.15 billion as compared to HK\$1.62 billion as at 30th June, 2003 and HK\$1.98 billion as at 31st December, 2003. The Group's working capital requirement is normally higher in the first half year as it prepares for the peak shipment period in the second half. As the Group's cash flow generating capacity remains strong, the working capital position is expected to further improve by the end of the year.

Total inventory value only increased by 1.9% as compared to the balance as at 31st December, 2003 despite the fact that revenue increased by over 39.7%. Average inventory days was at 68 days, an improvement of 10 days when compared to inventory turnover of the same period last year. Trade receivables improved by 2 days to 48 days when compared to same period last year.

Trade and other payables were at 53 days and bills payable were at 60 days, as compared to 63 days and 55 days respectively for same period of 2003.

The Group was in a net cash position as at 30th June, 2004, as compared to a gearing level of 53.1% reported for the same date last year. The gearing ratio is expressed as a percentage of total net borrowings to total equity. Total borrowings improved from HK\$2.37 billion reported last period to HK\$1.96 billion for the period under review, and there was no material change in total borrowings when compared to the balance as at 31st December, 2003.

The Group's major borrowings are in US Dollars and HK Dollars. Other than the fixed interest rate Notes issued last year, borrowings are all based on LIBOR or HK best lending rates. As the majority of the Group's revenues are in US Dollars and major borrowings and payments are either in US Dollars or HK Dollars, the currency risk exposure is relatively low, since there is a natural hedging mechanism in place. The Group continues to monitor and manage its currency and interest rate exposures.

Net interest expenses for the period under review amounted to HK\$37 million, an increase of only HK\$3 million when compared to the same period last year. Interest coverage, expressed as a multiple of profit before interest and tax to total net interest was 10.35 times, an improvement from the 8.17 times reported for the first six months of 2003.

Capital expenditure for the period amounted to HK\$124 million, and was in accordance to the Group's budget and guideline. Depreciation charges for the period under review were HK\$161 million.

### **Issue of Zero Coupon Convertible Bonds**

On 16th June, 2004 the Group announced the issue of five year Zero Coupon Convertible Bonds at par. The aggregate principal amount of the Bonds was US\$140 million (approximately HK\$1,092 million). The Bonds will be due in 2009 and convertible into Ordinary Shares of the Company. The initial conversion price is HK\$16.56 per share, representing a premium of 38% over the closing price of the share on The Stock Exchange of Hong Kong Limited on 16th June, 2004. Assuming full conversion of the Bonds at the initial conversion price of HK\$16.56 per share, the Bonds will be converted into approximately 65,922,584 shares, representing approximately 4.93% of the issued share capital of the Company as at the date of announcement and approximately 4.71% of the issued share capital of the Company as enlarged by the issue of the conversion shares. Unless previously redeemed, converted or purchased and cancelled, the company will redeem each Bond at 107.76% of its principal amount on the maturity date of 8th July, 2009. However, on or after 8th July, 2007 and prior to the maturity date, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of the Bonds at 104.59% of their principal amount.

The Bond issue raised immediate funds that can be used for general corporate and working capital purposes including financing possible acquisitions and when converted will enlarge the shareholder capital base, which will facilitate the development and expansion of the Company.

The issue of the Bonds was successfully closed on 8th July, 2004.

### **Capital Commitment and Contingent Liabilities**

As at 30th June, 2004, the capital commitment not provided for in respect of land in Dongguan, PRC amounted to approximately HK\$28 million. Total capital commitment as at 30th June, 2004 amounted to HK\$121 million compared to HK\$89 million as at 31st December, 2003.

There are no material contingent liabilities or off balance sheet obligations other than trade bills discounted in the ordinary course of business.

### **Charges**

None of the Group's assets are charged or subject to any encumbrance.

### **Human Resources**

The Group employed a total of 16,294 employees (2003: 16,112 employees) in Hong Kong and overseas. Total staff costs for the period under review amounted to HK\$647 million as compared to HK\$492 million same period last year. The increase was due to the expansion of the Group's operations.

The Group regards human capital is vital for the Group's continuous growth and profitability and remains committed to improve the quality, competence and skills of all employees. It provides job related training to all staff.

The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

# interim dividend

The Directors recommend an interim dividend of HK4.500 cents per share (2003 interim dividend : HK3.625 cents).  
The interim dividend will be paid to shareholders listed on the register of members of the Company on 17th September, 2004. It is expected that the interim dividend will be paid on or about 30th September, 2004.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 13th September, 2004 to Friday, 17th September, 2004, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Secretaries Limited, at G/F, Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00p.m. on Friday, 10th September, 2004.

# condensed consolidated income statement (unaudited)

for the six months period ended 30th June, 2004

	Notes	2004 HK\$'000	2003 HK\$'000	2004 US\$'000 (Note 13)	2003 US\$'000 (Note 13)
Turnover	2	<b>6,724,115</b>	4,814,649	<b>862,066</b>	617,263
Cost of sales		<b>(4,720,044)</b>	(3,519,725)	<b>(605,134)</b>	(451,247)
Gross profit		<b>2,004,071</b>	1,294,924	<b>256,932</b>	166,016
Other operating income		<b>14,074</b>	33,377	<b>1,804</b>	4,279
Interest income		<b>22,155</b>	5,361	<b>2,840</b>	687
Selling, distribution, advertising and warranty expenses		<b>(693,737)</b>	(474,426)	<b>(88,941)</b>	(60,824)
Administrative expenses		<b>(762,714)</b>	(496,323)	<b>(97,785)</b>	(63,631)
Research and development costs		<b>(164,759)</b>	(69,842)	<b>(21,123)</b>	(8,954)
Profit from operations	3	<b>419,090</b>	293,071	<b>53,727</b>	37,573
Finance costs		<b>(58,702)</b>	(38,990)	<b>(7,526)</b>	(4,999)
Profit before share of results of associates and taxation		<b>360,388</b>	254,081	<b>46,201</b>	32,574
Share of results of associates		<b>(626)</b>	187	<b>(80)</b>	24
Profit before taxation		<b>359,762</b>	254,268	<b>46,121</b>	32,598
Taxation	4	<b>(42,677)</b>	(30,437)	<b>(5,471)</b>	(3,902)
Profit before minority interests		<b>317,085</b>	223,831	<b>40,650</b>	28,696
Minority interests		<b>(18,227)</b>	(13,008)	<b>(2,337)</b>	(1,668)
Profit for the period		<b>298,858</b>	210,823	<b>38,313</b>	27,028
Dividend	5	<b>(118,444)</b>	(65,388)	<b>(15,185)</b>	(8,383)
Earnings per share	6				
Basic (HK / US cents)		<b>22.49</b>	16.28	<b>2.88</b>	2.09
Diluted (HK / US cents)		<b>21.78</b>	15.91	<b>2.79</b>	2.04

# Condensed consolidated balance sheet

as at 30th June, 2004

	Notes	30th June 2004 HK\$'000 (Unaudited)	31st December 2003 HK\$'000 (Audited)	30th June 2004 US\$'000 (Note 13)	31st December 2003 US\$'000 (Note 13)
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment		863,915	904,356	110,758	115,943
Goodwill		635,580	652,760	81,485	83,687
Negative goodwill		(31,023)	(33,175)	(3,977)	(4,253)
Intangible assets		178,669	25,154	22,906	3,225
Interests in associates		132,124	118,394	16,939	15,179
Investments in securities		38,608	41,419	4,950	5,310
Deferred tax assets		300,706	273,937	38,552	35,120
Other assets		1,195	1,195	153	153
		<b>2,119,774</b>	<b>1,984,040</b>	<b>271,766</b>	<b>254,364</b>
<b>Current assets</b>					
Inventories		2,539,274	2,491,650	325,548	319,442
Trade and other receivables	7	1,579,099	2,197,789	202,449	281,768
Deposits and prepayments		328,424	293,408	42,106	37,616
Bills receivable		122,984	36,409	15,767	4,668
Investments in securities		5,635	5,575	722	715
Tax recoverable		1,123	51,274	144	6,574
Trade receivable from associates		40	48	5	6
Bank balances, deposits and cash		1,970,998	2,586,075	252,692	331,548
		<b>6,547,577</b>	<b>7,662,228</b>	<b>839,433</b>	<b>982,337</b>
<b>Current liabilities</b>					
Trade, bills and other payables	8	3,427,325	4,894,161	439,401	627,457
Warranty provision		183,122	208,552	23,477	26,737
Trade payable to an associate		9,319	3,230	1,195	414
Tax payable		108,165	68,114	13,867	8,733
Dividend payable		118,444	–	15,185	–
Obligations under finance leases – due within one year		2,988	5,485	383	703
Borrowings – due within one year		549,011	497,975	70,386	63,843
		<b>4,398,374</b>	<b>5,677,517</b>	<b>563,894</b>	<b>727,887</b>
<b>Net current assets</b>		<b>2,149,203</b>	<b>1,984,711</b>	<b>275,539</b>	<b>254,450</b>
<b>Total assets less current liabilities</b>		<b>4,268,977</b>	<b>3,968,751</b>	<b>547,305</b>	<b>508,814</b>
<b>Capital and Reserves</b>					
Share capital	9	133,663	132,497	17,136	16,987
Reserves		2,614,167	2,380,387	335,150	305,178
		<b>2,747,830</b>	<b>2,512,884</b>	<b>352,286</b>	<b>322,165</b>
<b>Minority Interests</b>		<b>64,601</b>	<b>46,374</b>	<b>8,282</b>	<b>5,945</b>
<b>Non-current Liabilities</b>					
Obligations under finance leases – due after one year		3,148	14,261	404	1,828
Borrowings – due after one year		1,405,489	1,348,497	180,191	172,884
Deferred tax liabilities		47,909	46,735	6,142	5,992
		<b>1,456,546</b>	<b>1,409,493</b>	<b>186,737</b>	<b>180,704</b>
		<b>4,268,977</b>	<b>3,968,751</b>	<b>547,305</b>	<b>508,814</b>



# condensed consolidated cash flow statement (unaudited)

for the six months period ended 30th June, 2004

	30th June 2004 HK\$'000	30th June 2003 HK\$'000	30th June 2004 US\$'000 (Note 13)	30th June 2003 US\$'000 (Note 13)
Net Cash used in Operating Activities	(490,549)	(542,771)	(62,891)	(69,586)
Net Cash used in Investing Activities	(267,791)	(897,056)	(34,332)	(115,007)
Net Cash from Financing Activities	151,482	786,548	19,421	100,839
Net Decrease in Cash and Cash Equivalents	(606,858)	(653,279)	(77,802)	(83,754)
Cash and Cash Equivalents at 1st January	2,444,098	1,753,900	313,346	224,859
Effect of Foreign Exchange Rate Changes	(5,789)	46,370	(743)	5,945
Cash and Cash Equivalents at 30th June	1,831,451	1,146,991	234,801	147,050
Analysis of the Balances of Cash and Cash Equivalents				
Represented by:				
Bank balances, deposits and cash	1,970,998	1,288,907	252,692	165,244
Bank overdrafts	(139,547)	(141,916)	(17,891)	(18,194)
	1,831,451	1,146,991	234,801	147,050

# condensed statement of changes in equity (unaudited)

for the six months period ended 30th June, 2004

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2003	129,143	613,499	(16,769)	1,102,064	1,827,937
Exchange differences on translation of overseas operations not recognised in the income statement	–	–	37,423	–	37,423
Shares issued at a premium	1,633	26,417	–	–	28,050
Profit for the period	–	–	–	210,823	210,823
Final dividend – 2002	–	–	–	(65,388)	(65,388)
At 30th June, 2003	130,776	639,916	20,654	1,247,499	2,038,845
At 1st January, 2004	132,497	672,083	45,519	1,662,785	2,512,884
Exchange differences on translation of overseas operations not recognised in the income statement	–	–	(4,237)	–	(4,237)
Shares issued at a premium	1,166	57,603	–	–	58,769
Profit for the period	–	–	–	298,858	298,858
Final dividend – 2003	–	–	–	(118,444)	(118,444)
At 30th June, 2004	<b>133,663</b>	<b>729,686</b>	<b>41,282</b>	<b>1,843,199</b>	<b>2,747,830</b>

## 1. BASIS OF PREPARATION

The unaudited interim results of the Group have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants on a basis consistent with the accounting policies adopted in the report and financial statements for the year ended 31st December, 2003.

Certain comparative figures have been reclassified to conform with the current period's presentation.

## 2. SEGMENT INFORMATION

	Six months period ended 30th June			
	Turnover		Segment results	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
By principal activity:				
Manufacture and trading of				
Power equipment products	4,711,892	3,467,171	294,282	198,682
Floor care appliances	1,717,292	1,121,715	80,457	58,135
Solar powered, laser and electronic measuring products	294,931	225,763	59,379	41,698
	6,724,115	4,814,649	434,118	298,515
Amortisation of goodwill			(17,180)	(7,596)
Release of negative goodwill to income			2,152	2,152
Contributions to profit from operations			419,090	293,071
By geographical market location:				
North America	5,259,245	3,784,207	366,423	236,667
Europe	1,084,364	766,976	66,244	45,095
Other countries	380,506	263,466	1,451	16,753
	6,724,115	4,814,649	434,118	298,515
Amortisation of goodwill			(17,180)	(7,596)
Release of negative goodwill to income			2,152	2,152
Contributions to profit from operations			419,090	293,071

## 3. PROFIT FROM OPERATIONS

	Six months period ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	160,746	137,085
Amortisation of intangible assets	4,597	2,531
Amortisation of goodwill	17,180	7,596
Release of negative goodwill to income	(2,152)	(2,152)
Staff costs	646,596	492,411

#### 4. TAXATION

	Six months period ended 30th June	
	2004 HK\$'000	2003 HK\$'000
The total tax charge comprises:		
Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the period	33,531	23,009
Overseas Tax	14,501	7,266
Deferred Tax	(5,355)	162
	<b>42,677</b>	<b>30,437</b>

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

#### 5. DIVIDEND

The 2003 final dividend declared at HK17.75 cents and 2003 interim dividend paid at HK7.25 cents per existing share are adjusted to HK8.875 cents and HK3.625 cents per subdivided share respectively.

#### 6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months period ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period	298,858	210,823
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,328,955,297	1,295,481,764
Effect of dilutive potential ordinary shares:		
Options	43,371,852	29,424,128
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,372,327,149	1,324,905,892

The comparative amounts of the earnings per share and weighted average number of ordinary shares have been adjusted for the effect of the subdivision of the Company's shares during the period.

#### 7. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aging analysis of trade receivables is as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
0 to 60 days	1,231,410	1,711,577
61 to 120 days	200,085	346,828
121 days or above	26,142	26,918
Total trade receivables	1,457,637	2,085,323
Other receivables	121,462	112,466
	<b>1,579,099</b>	<b>2,197,789</b>

# 8. **TRADE, BILLS AND OTHER PAYABLES**

The aging analysis of trade payables is as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
0 to 60 days	932,301	1,042,276
61 to 120 days	98,719	202,605
121 days or above	9,770	7,263
Total trade payables	1,040,790	1,252,144
Bills payables	1,606,915	2,809,963
Other payables	779,620	832,054
	3,427,325	4,894,161

# 9. **SHARE CAPITAL**

	Number of Shares		Share Capital	
	30th June 2004	31st December 2003	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Ordinary shares				
Authorised:				
At 1st January of HK\$0.20 each	800,000,000	800,000,000	160,000	160,000
Increased in authorised share capital of HK\$0.20 each	400,000,000	—	80,000	—
Subdivision of one share of HK\$0.20 each into two shares of HK\$0.10 each	1,200,000,000	—	—	—
<b>Shares of HK\$0.10 each (2003 : HK\$0.20 each)</b>	<b>2,400,000,000</b>	<b>800,000,000</b>	<b>240,000</b>	<b>160,000</b>
Issued and fully paid:				
At 1st January of HK\$0.20 each	662,486,826	645,716,826	132,497	129,143
Issued on exercise of share options	8,657,000	16,770,000	1,166	3,354
Subdivision of one share of HK\$0.20 each into two shares of HK\$0.10 each	665,481,826	—	—	—
<b>Shares of HK\$0.10 each (2003: HK\$0.20 each)</b>	<b>1,336,625,652</b>	<b>662,486,826</b>	<b>133,663</b>	<b>132,497</b>

On 28th May, 2004, ordinary resolutions were passed by the shareholders of the Company to approve the increase (the "Increase") in the authorised share capital of the Company to HK\$240,000,000 and the subdivision (the "Subdivision") of each issued and unissued shares of HK\$0.20 each in the authorised share capital into two ordinary shares of HK\$0.10 each. The Increase and the Subdivision became effective on 28th and 31st May, 2004 respectively.

The shares issued during the period rank pari passu in all respects with the existing shares.

**10. CAPITAL COMMITMENTS**

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment	108,716	85,598
Capital expenditure authorised but not contracted for in the financial statements in respect of the purchase of property, plant and equipment	12,518	3,398

**11. CONTINGENT LIABILITIES**

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Guarantees given to banks in respect of credit facilities utilised by associates	25,288	16,904
Bills discounted with recourse	269,892	180,133
	295,180	197,037

**12. POST BALANCE SHEET EVENT**

On 16th June, 2004 the Group announced the issue of five year Zero Coupon Convertible Bonds at par. The aggregate principal amount of the Bonds was US\$140 million (approximately HK\$1,092 million). The Bonds will be due in 2009 and convertible into Ordinary Shares of the Company. The initial conversion price is HK\$16.56 per share, representing a premium of 38% over the closing price of the share on The Stock Exchange of Hong Kong Limited on 16th June, 2004. Assuming full conversion of the Bonds at the initial conversion price of HK\$16.56 per share, the Bonds will be converted into approximately 65,922,584 shares, representing approximately 4.93% of the issued share capital of the Company as at the date of announcement and approximately 4.71% of the issued share capital of the Company as enlarged by the issue of the conversion shares. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at 107.76% of its principal amount on the maturity date of 8th July, 2009. However, on or after 8th July, 2007 and prior to the maturity date, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of the Bonds at 104.59% of their principal amount.

The Bond issue raised immediate funds that can be used for general corporate and working capital purposes including financing possible acquisitions and when converted will enlarge the shareholder capital base, which will facilitate the development and expansion of the Company.

The issue of the Bonds was successfully closed on 8th July, 2004.

**13. US DOLLAR EQUIVALENTS**

These are shown for reference only and have been arrived at based on the fixed exchange rate of HK\$7.8 to US\$1.0.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS**

As at 30th June, 2004, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	The Company	Beneficial owner	71,974,000	31,088,000	326,481,794	24.43%
	The Company	Interest of spouse	760,000	—	—	
	The Company	Interests of controlled corporation	222,659,794 <sup>(2)</sup>	—	—	
Mr Roy Chi Ping Chung	The Company	Beneficial owner	113,541,948	13,824,000	164,576,978	12.31%
	The Company	Interest of spouse	136,000	—	—	
	The Company	Interests of controlled corporation	37,075,030 <sup>(3)</sup>	—	—	
Mr Kin Wah Chan	The Company	Beneficial owner	2,364,000	2,500,000	4,864,000	0.36%
Mr Chi Chung Chan	The Company	Beneficial owner	1,000,000	3,000,000	4,000,000	0.30%
Dr Akio Urakami	The Company	Beneficial owner	300,000	1,300,000	1,600,000	0.12%
Mr Vincent Ting Kau Cheung	The Company	Beneficial owner	1,920,000	800,000	2,720,000	0.20%
Mr Joel Arthur Schleicher	The Company	Beneficial owner	200,000	500,000	700,000	0.05%
Mr Christopher Patrick Langley	The Company	Beneficial owner	490,000	300,000	790,000	0.06%

**Notes:**

(1) Interests in shares and underlying shares stated above represent long positions.

The equity derivatives are physically settled and unlisted.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives represent options granted to them pursuant to the share option schemes adopted by the Company.

(2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	185,584,764
Cordless Industries Company Limited*	37,075,030
	<b>222,659,794</b>

(3) These shares were held by Cordless Industries Company Limited\* in which Mr Roy Chi Ping Chung has a beneficial interest.

\* Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Mr Roy Chi Ping Chung.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2004.



## SHARE OPTIONS

The following table discloses movements in the Company's share options during the six months period ended 30th June, 2004:

Name of Directors	Date of share options granted	Share option scheme category <sup>(2)</sup>	Outstanding at beginning of the period	No. of share options granted before share subdivision <sup>(12)</sup>	No. of share options exercised before share subdivision <sup>(13)</sup>	Addition due to adjustment for the share subdivision made during the period <sup>(11)</sup>	No. of share options granted subsequent to the share subdivision made during the period <sup>(14)</sup>	No. of share options exercised subsequent to the share subdivision made during the period <sup>(15)</sup>	Lapsed during the period	Outstanding at end of the period	Subscription price prior to the share subdivision HK\$	Subscription price adjusted for the effect of the share subdivision <sup>(13)</sup> HK\$	Exercise period
Mr Horst Julius Pudwill	19.6.2001	B	2,200,000	-	-	2,200,000	-	-	-	4,400,000	2.2600	1.1300	19.6.2001-18.6.2006
	28.6.2002	C	12,864,000	-	-	12,864,000	-	-	-	25,728,000	7.2000	3.6000	28.6.2002-27.6.2007
	19.9.2003	C	280,000	-	-	280,000	-	-	-	560,000	17.3700	8.6850	19.9.2003-18.9.2008
	25.2.2004	C	-	200,000	-	200,000	-	-	-	400,000	24.3400	12.1700	25.2.2004-24.2.2009
Mr Roy Chi Ping Chung	28.6.2002	C	6,432,000	-	-	6,432,000	-	-	-	12,864,000	7.2000	3.6000	28.6.2002-27.6.2007
	19.9.2003	C	280,000	-	-	280,000	-	-	-	560,000	17.3700	8.6850	19.9.2003-18.9.2008
	25.2.2004	C	-	200,000	-	200,000	-	-	-	400,000	24.3400	12.1700	25.2.2004-24.2.2009
	19.9.2003	C	250,000	-	-	250,000	-	-	-	500,000	17.3700	8.6850	19.9.2003-18.9.2008
Mr Kin Wah Chan	25.2.2004	C	-	500,000	-	500,000	-	-	-	1,000,000	24.3400	12.1700	25.2.2004-24.2.2009
	1.3.2004	C	-	500,000	-	500,000	-	-	-	1,000,000	25.0500	12.5250	1.3.2004-28.2.2009
	17.7.2003	C	500,000	-	-	500,000	-	-	-	1,000,000	15.2500	7.6250	17.7.2003-16.7.2008
Mr Chi Chung Chan	19.9.2003	C	250,000	-	-	250,000	-	-	-	500,000	17.3700	8.6850	19.9.2003-18.9.2008
	25.2.2004	C	-	500,000	-	500,000	-	-	-	1,000,000	24.3400	12.1700	25.2.2004-24.2.2009
	1.3.2004	C	-	250,000	-	250,000	-	-	-	500,000	25.0500	12.5250	1.3.2004-28.2.2009
	6.6.2001	B	250,000	-	250,000	-	-	-	-	-	2.0920	1.0460	6.6.2001-5.6.2006
Dr Akio Urakami	30.4.2002	C	250,000	-	-	250,000	-	-	-	500,000	6.4000	3.2000	30.4.2002-29.4.2007
	5.7.2002	C	100,000	-	-	100,000	-	-	-	200,000	6.7000	3.3500	5.7.2002-4.7.2007
	17.7.2003	C	150,000	-	-	150,000	-	-	-	300,000	15.2500	7.6250	17.7.2003-16.7.2008
	25.2.2004	C	-	150,000	-	150,000	-	-	-	300,000	24.3400	12.1700	25.2.2004-24.2.2009
Mr Vincent T. K. Cheung	30.4.2002	C	200,000	-	-	200,000	-	-	-	400,000	6.4000	3.2000	30.4.2002-29.4.2007
	17.7.2003	C	150,000	-	-	150,000	-	-	-	300,000	15.2500	7.6250	17.7.2003-16.7.2008
	25.2.2004	C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004-24.2.2009
Mr Joel Arthur Schleicher	30.4.2002	C	100,000	-	-	100,000	-	-	-	200,000	6.4000	3.2000	30.4.2002-29.4.2007
	17.7.2003	C	100,000	-	-	100,000	-	-	-	200,000	15.2500	7.6250	17.7.2003-16.7.2008
	25.2.2004	C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004-24.2.2009
Mr Christopher Patrick Langley	30.4.2002	C	100,000	-	100,000	-	-	-	-	-	6.4000	3.2000	30.4.2002-29.4.2007
	17.7.2003	C	100,000	-	-	100,000	-	-	-	200,000	15.2500	7.6250	17.7.2003-16.7.2008
	25.2.2004	C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004-24.2.2009
<b>Total for directors</b>			24,556,000	2,450,000	350,000	26,656,000	-	-	-	53,312,000			
Employees	23.7.2001	B	300,000	-	-	300,000	-	-	-	600,000	2.1160	1.0580	23.7.2001-22.7.2006
	30.4.2002	C	4,130,000	-	1,445,000	2,685,000	-	1,462,000	-	3,908,000	6.4000	3.2000	30.4.2002-29.4.2007
	5.7.2002	C	1,000,000	-	250,000	750,000	-	500,000	-	1,000,000	6.7000	3.3500	5.7.2002-4.7.2007
	6.6.2003	C	50,000	-	-	50,000	-	100,000	-	-	12.0800	6.0400	6.6.2003-5.6.2008
	10.6.2003	C	500,000	-	-	500,000	-	-	-	1,000,000	12.3500	6.1750	10.6.2003-9.6.2008
	17.7.2003	C	10,555,000	-	700,000	9,855,000	-	3,600,000	24,000	16,086,000	15.2500	7.6250	17.7.2003-16.7.2008
	13.8.2003	C	30,000	-	-	30,000	-	-	-	60,000	16.1500	8.0750	13.8.2003-12.8.2008
	1.9.2003	C	32,000	-	-	32,000	-	-	-	64,000	17.6500	8.8250	1.9.2003-31.8.2008
	19.9.2003	C	102,000	-	-	102,000	-	-	-	204,000	17.3700	8.6850	19.9.2003-18.9.2008
	18.12.2003	C	74,000	-	-	74,000	-	-	-	148,000	20.7200	10.3600	18.12.2003-17.12.2008
	1.3.2004	C	-	5,683,000	-	5,683,000	-	-	-	11,366,000	25.0500	12.5250	1.3.2004-28.2.2009
	14.4.2004	C	-	100,000	-	100,000	-	-	-	200,000	25.9000	12.9500	14.4.2004-13.4.2009
	5.5.2004	C	-	150,000	-	150,000	-	-	-	300,000	22.1000	11.0500	5.5.2004-4.5.2009
	7.6.2004	C	-	-	-	-	200,000	-	-	200,000	-	12.0000	7.6.2004-6.6.2009
	25.6.2004	C	-	-	-	-	40,000	-	-	40,000	-	11.5000	25.6.2004-24.6.2009
<b>Total for employees</b>			16,773,000	5,933,000	2,395,000	20,311,000	240,000	5,662,000	24,000	35,176,000			
<b>Others</b>	30.4.2002	C	250,000	-	250,000	-	-	-	-	-	6.4000	3.2000	30.4.2002-29.4.2007
			41,579,000	8,383,000	2,995,000	46,967,000	240,000	5,662,000	24,000	88,488,000			
Total under Scheme B			2,750,000	-	250,000	2,500,000	-	-	-	5,000,000			
Total under Scheme C			38,829,000	8,383,000	2,745,000	44,467,000	240,000	5,662,000	24,000	83,488,000			
			41,579,000	8,383,000	2,995,000	46,967,000	240,000	5,662,000	24,000	88,488,000			

## Notes:

- <sup>(1)</sup> The number of shares exercisable under the options and the exercise price were adjusted during the six months period ended 30th June, 2004 for the effect of the subdivision of the Company's shares, effective on 31st May, 2004.
- <sup>(2)</sup> Scheme adopted on 28th November, 1990 and expired on 27th November, 2000 ('Scheme A').  
Scheme adopted on 25th May, 2001 and terminated on 28th March, 2002 ('Scheme B').  
Scheme adopted on 28th March, 2002 ('Scheme C').
- <sup>(3)</sup> The closing prices of the Company's shares immediately before 25th February, 2004, 1st March, 2004, 14th April, 2004, 5th May, 2004, 7th June, 2004 and 25th June, 2004, the dates of grant, were HK\$11.925, HK\$12.900, HK\$12.850, HK\$11.250, HK\$11.200 and HK\$11.450 respectively, as adjusted for the effect of the subdivision of the Company's shares during the period.
- <sup>(4)</sup> The weighted average closing prices of the Company's shares immediately before various dates on which the share options were exercised ranged from HK\$10.57 to HK\$13.11 as adjusted for the effect of the subdivision of the Company's shares during the period.
- <sup>(5)</sup> No options cancelled during the period.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30th June, 2004, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares <sup>(1)</sup>	Approximate aggregate percentage of interests
FMR Corp. <sup>(2)</sup>	156,547,000	11.71%
Wellington Management Company, LLP <sup>(3)</sup>	92,225,312	6.90%
J.P. Morgan Chase & Co. <sup>(4)</sup>	82,583,932	6.18%

## Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The capacity of FMR Corp. in holding the 156,547,000 shares was as Investment Manager.
- (3) The capacity of Wellington Management Company, LLP in holding the 92,225,312 shares was as Investment Manager.
- (4) The following is a breakdown of the interests in shares of J.P. Morgan Chase & Co.:

Name	Remarks	Total interests in shares		Approximate percentage of interests
		Direct interests	Deemed interests	
J.P. Morgan Chase & Co.	(a)	–	82,583,932	6.18%
J.P. Morgan Fleming Asset Management Holdings Inc.	(b)	–	41,205,000	3.08%
J.P. Morgan Fleming Asset Management (Asia) Inc.	(b)	–	40,987,500	3.07%
JF Asset Management Limited	(b)	36,925,500	3,590,000	3.03%
JF Funds Limited	(b)	–	3,590,000	0.27%
JF Asset Management (Taiwan) Limited	(b)	3,590,000	–	0.27%
JF International Management Inc.	(b)	472,000	–	0.04%
Robert Fleming Holdings Ltd.	(b)	–	217,500	0.02%
Robert Fleming Asset Management Ltd.	(b)	–	217,500	0.02%
J.P. Morgan Fleming Asset Management (UK) Limited	(b)	217,500	–	0.02%
JPMorgan Chase Bank	(b)	39,298,932	2,080,000	3.10%
J.P. Morgan International Inc.	(b)	–	2,080,000	0.16%
J.P. Morgan International Finance Limited	(b)	–	2,080,000	0.16%
J.P. Morgan Holdings (UK) Limited	(b)	–	1,820,000	0.14%
J.P. Morgan Securities Ltd.	(b)	1,820,000	–	0.14%
J.P. Morgan Overseas Capital Corporation	(b)	–	260,000	0.02%
J.P. Morgan Whitefriars Inc.	(b)	260,000	–	0.02%

## Remarks:

- (a) J.P. Morgan Chase & Co. is listed on the New York Stock Exchange.  
The capacity of J.P. Morgan Chase & Co. in holding the 82,583,932 shares was, as to 2,080,000 shares, as Beneficial Owner, as to 41,205,000 shares, as Investment Manager and, as to 39,298,932 shares, as Other. The 82,583,932 shares included a lending pool of 39,298,932 shares.

(b) J.P. Morgan Fleming Asset Management Holdings Inc., J.P. Morgan Fleming Asset Management (Asia) Inc., JF Asset Management Limited, JF Funds Limited, JF Asset Management (Taiwan) Limited, JF International Management Inc., Robert Fleming Holdings Ltd., Robert Fleming Asset Management Ltd., J.P. Morgan Fleming Asset Management (UK) Limited, JPMorgan Chase Bank, J.P. Morgan International Inc., J.P. Morgan International Finance Limited, J.P. Morgan Holdings (UK) Limited, J.P. Morgan Securities Ltd., J.P. Morgan Overseas Capital Corporation and J.P. Morgan Whitefriars Inc., were all direct or indirect subsidiaries of J.P. Morgan Chase & Co. and by virtue of the SFO, J.P. Morgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 30th June, 2004.

#### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than as disclosed above, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

#### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

#### **AUDIT COMMITTEE**

The Audit Committee is composed of a majority of independent non-executive directors. The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30th June, 2004.

#### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

#### **PURCHASE, SALES OR REDEMPTION OF SHARES**

There has been no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

By Order of the Board

**Horst Julius Pudwill**

Chairman and Chief Executive Officer

Hong Kong,  
12th August, 2004

## BOARD OF DIRECTORS

### Group Executive Directors

Mr Horst Julius Pudwill  
*Chairman and Chief Executive Officer*

Mr Roy Chi Ping Chung  
*Group Managing Director*

Mr Patrick Kin Wah Chan  
Mr Frank Chi Chung Chan  
Dr Akio Urakami

### Independent Non-Executive Directors

Mr Vincent Ting Kau Cheung  
Mr Joel Arthur Schleicher  
Mr Christopher Patrick Langley

## FINANCIAL CALENDAR 2004

30th June:	Six months interim period end
12th August:	Announcement of 2004 interim results
10th September:	Last day to register for 2004 interim dividend
13th–17th September:	Book closure period
30th September:	Interim dividend payment
31st December:	Financial year end

## INVESTOR RELATIONS CONTACT

Investor Relations & Communications  
Techtronic Industries Co. Ltd.  
24/F., CDW Building  
388 Castle Peak Road  
Tsuen Wan, N. T.  
Hong Kong  
email: [ir@tti.com.hk](mailto:ir@tti.com.hk)

## WEBSITE

[www.ttigroup.com](http://www.ttigroup.com)

Earning results, annual / interim reports are available online

## STOCK CODE

Hong Kong Stock Exchange	669
ADR Level 1 Programme	TTNDY

## SHARE REGISTRAR AND TRANSFERS OFFICE

Secretaries Limited  
G/F, Bank of East Asia  
Harbour View Centre  
56 Gloucester Road, Wanchai  
Hong Kong  
T: (852) 2980 1888  
F: (852) 2861 0285

## ADR DEPOSITARY

The Bank of New York  
101 Barclay Street  
22nd Floor-West  
New York  
NY 10286  
USA

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Commerzbank A.G.  
Citibank N.A.  
Standard Chartered Bank  
Wachovia Bank, N.A.

## SOLICITORS

Vincent T K Cheung Yap & Co

## AUDITORS

Deloitte Touche Tohmatsu

## COMPANY SECRETARY

Mr Frank Chi Chung Chan

## TRADEMARKS

All trademarks are registered trademarks of their respective owners.

RIDGID® is a registered trademark of RIDGID, Inc., part of Emerson Professional Tools, a business of St. Louis-based Emerson (NYSE: EMR).

Asia	North America	Australasia
<b>Hong Kong</b>	<b>Canada</b>	<b>Australia</b>
Technic Industries Co. Ltd.	Ryobi Technologies Canada, Inc.	Ryobi Technologies Australia Pty Ltd.
Commerce Asia Ltd.	159 Wedlich Drive, Unit #5&6	359-361 Horsley Road
	Markham, Ontario N1T 1N6	Milperra, NSW 2214
<b>Representatives</b>	T: (1-519) 624 2222	T: (61-2) 9772 2444
Unit 3, QPW Building	F: (1-519) 624 0600	F: (61-2) 9774 5705
228 Castle Peak Road		www.ryobi.com.au
Shek Wan, N.T.	<b>USA</b>	
T: (852) 2402 6888	Monette Consumer Products, Inc.	Vax Appliances (Australia) Pty Ltd.
F: (852) 2413 5971	www.monette.com	296 Victoria Road
	Ryobi Technologies, Inc.	Malaga, WA 6090
Intelli Laboratories Co. Ltd.	www.ryobitools.com	T: (61-8) 9247 8100
T: (852) 2413 3923	Technic Industries North America, Inc.	F: (61-8) 9247 8190
F: (852) 2498 8264	1220 Pearman Dairy Road	www.vax.com.au
Solar Wide Industrial Ltd.	Latterson, South Carolina 29625	
T: (852) 2480 9388	T: (1-864) 226 6511	<b>New Zealand</b>
F: (852) 2480 1320	F: (1-864) 261 9435	Ryobi Technologies (New Zealand) Ltd.
www.solarwide.com.hk	OWT Industries, Inc.	27 Clemow Drive
Technic Appliances (Hong Kong) Ltd.	239 Pumpkintown Hwy.	Mount Wellington
T: (852) 2402 6888	Indianton, South Carolina 29671	Auckland
F: (852) 3413 1776	T: (1-864) 878 6331	T: (64-9) 573 0230
Unit 3, QPW Building	F: (1-864) 878 7504	F: (64-9) 573 0231
228 Castle Peak Road	Royal Appliance Mfg. Co.	www.ryobi.co.nz
Shek Wan, N.T.	7003 Cochran Road,	
<b>China</b>	Stenwillow, Ohio 44139	
Technic Industries Factory	T: (1-440) 996 2000	
Unit 3, Industrial Zone,	F: (1-440) 996 2027	
Min Jiang Town, Dongguan City	www.royalappliance.com	
Guang Dong Province 523962		
T: (86-769) 558 2172	<b>Europe</b>	
F: (86-769) 558 2976		
Technic Appliances Factory 1	<b>France</b>	
Guangdong Assembly Factory	Ryobi Technologies France SAS	
Shan Tin Village,	209, rue De La Belle Etoile	
Shan Tin Management Zone	ZI Paris Nord 2-95945, Roissy, CDG	
Min Jiang Town, Dongguan City	T: (33-1) 4990 1414	
Guang Dong Province 523941	F: (33-1) 4990 1429	
T: (86-769) 558 0962	www.ryobi-europe.com	
F: (86-769) 558 7962		
Technic Appliances Factory 2	<b>Germany</b>	
Shan Tin Management Zone	Ryobi Technologies GmbH	
Min Jiang Town, Dongguan City	Wittenpark, 7 D-40724 Hilden	
Guang Dong Province 523941	T: (49-2103) 2958 0	
T: (86-769) 558 4125	F: (49-2103) 2958 29	
F: (86-769) 558 4135	www.ryobi-europe.com	
Intelli Laboratories Co. Ltd.	<b>United Kingdom</b>	
Solar Wide Assembly Factory	Ryobi Technologies (UK) Ltd.	
Guangdong Industrial Zone	Anvil House, Tuns Lane	
Unit 18, Xia Shi Jia Road, Jiang Shi Village Road	Henley-on-Thames	
Guang Ming Town, Bao An County	Oxfordshire RG9 1SA	
Shenzhen 518106	T: (44-1491) 848 700	
T: (86-765) 2773 0588	F: (44-1491) 848 701	
F: (86-765) 2773 0433	www.ryobi-europe.com	
<b>Taiwan</b>	Vax Ltd.	
VIT Taiwan Ltd.	Langold House, Kingswood Road	
Unit 4, No. 416, Sec. 2	Hampton Lovett, Droitwich	
Guang Ping Road, Taichung	Worcestershire WR9 0QH	
T: (86-4) 2241 2542	T: (44-1905) 795 959	
F: (86-4) 2241 2541	F: (44-1905) 795 958	
	www.vax.co.uk	

**Electronic Industries Co. Ltd.**

47-48W Building, 388 Castle Peak Road,

Ma Wan, N.T., Hong Kong

Tel: (852) 2402 6888 F: (852) 2413 5971

[www.atigroup.com](http://www.atigroup.com)



創科實業

# 持續增長

2004 年中期報告



# 集團簡介

創科實業有限公司(「創科實業」或「本集團」)為全球家居裝修產品之主要設計、生產及銷售商之一，於二零零三年度二月份額達131.8億港元(16.9億美元)。本集團之主要業務範圍包括電動工具、戶外園藝電動工具、地板護理產品、太陽燈照明、激光儀及電子量度儀。

創科實業擁有一系列著名且快速增長的品牌，創科實業不斷網羅其知名度及發展迅速之品牌，包括Ryobi®電動工具、Ryobi®及Homelite®戶外園藝電動工具、Troy®、Dirt Devil®、Regina®及Vax®地板護理產品。

本集團與北美洲、歐洲及澳大利西亞地區內全球多個大型零售商緊密合作，銷售多種知名品牌產品。

創科實業獲其他多個著名家居裝修產品品牌廠商挑選為合作夥伴。零售層面方面，本集團生產及銷售全系列客戶自有品牌之產品，向客戶提供完善而周全服務。獨立品牌方面，創科實業以原件設備製造及原件設計製造(OEM/ODM)方式為客戶提供特定技術解決方案，涵蓋產品設計、技術工藝、生產、供應鏈管理、及市場推廣支援等範疇。

本集團建基於香港，其生產及研究開發設施分佈亞洲及北美洲，而客戶服務網絡分佈北美洲、歐洲及澳大利西亞，在全球僱用約16,300名員工。

創科實業創立於一九八五年，於過去五年每年之營業收入平均增長達39%。創科實業自一九九零年起在香港聯合交易所上市(股票代號：669)，並透過美國銀行以第一級美國預託證券收據(ADR)方式掛牌(證券代號：TTNDY)。創科實業曾榮獲客戶、出版刊物及其他機構頒發眾多獎項。



# 財務摘要

截至六月三十日止六個月	2004 百 萬 港 元	2003 百 萬 港 元	2004 百 萬 美 元	2003 百 萬 美 元	增 幅 %
<b>業 績</b>					
營業額	6,724	4,815	862	617	+39.7
本期間溢利	299	211	38	27	+41.8
每股盈利，基本(港仙 / 美仙)	22.49	16.28	2.88	2.09	+38.2
每股中期股息(港仙 / 美仙)	4.500	3.625	0.577	0.465	+24.1
<b>財 政 狀 況</b>					
股東資金	2,748	2,513*	352	322*	+9.3
每股賬面值(港元 / 美元)	2.06	1.90*	0.26	0.24*	+8.4
資金負債比率	淨現金	淨現金*	淨現金	淨現金*	不適用
<b>以主要業務劃分之營業額</b>					
電動工具產品	4,712 70%	3,467 72%	604	444	+35.9
地板護理產品	1,717 26%	1,122 23%	220	144	+53.1
太陽能照明、激光儀及電子量度儀	295 4%	226 5%	38	29	+30.6
<b>以地域市場劃分之營業額</b>					
北美洲	5,259 78%	3,784 79%	674	485	+39.0
歐洲	1,084 16%	767 16%	139	98	+41.4
其他國家	381 6%	264 5%	49	34	+44.4

\* 於二零零三年十二月三十一日

# 管理層之研討 及分析

於二零零四年度上半年，創科實業之業績再創紀錄，各業務環節均取得強勁表現。於回顧期內之集團總營業額為6,724,000,000港元，較二零零三年度同期增加39.7%。純利上升41.8%至299,000,000港元。每股盈利增長38.2%至22.49港仙。董事會建議派發中期股息4.500港仙，相比於二零零三年度之中期股息則為3.625港仙（已為股份拆細作出調整）。

本集團在各業務環節及地域市場之營業收入均錄得高雙位數增長。此佳績再次顯示本集團在家居裝修工具業之領導地位。本集團之成功全賴其設計創新之產品及極具成效之市場推廣計劃，並配合創科實業所擁有之多個知名品牌及能為客戶提供優質產品與服務所致。

於六個月回顧期內，本集團有兩項重要之業務發展。首先，本集團增添及整合Ryobi品牌於北美洲之戶外園藝電動工具於本集團之業務內。其次，繼於二零零三年第四季成功推出RIDGID®系列後，本集團與The Home Depot（全球最大的家居維修工具專門零售商）繼續攜手進行市場推廣，進一步拓展專業級電動工具市場。

儘管原材料有漲價壓力，本集團藉著進一步整合業務、發揮大規模經濟效益及集中統籌集團採購程序，從而改善整體毛利。此外，儘管須就收購Royal Appliance Mfg. Co.（「Royal」）相關之商譽作出較高攤銷金額，純利率仍能保持於與去年度相若之水平。

創科實業之資產負債表反映出其繼續持有大量流動資金及具備穩固資本基礎。於二零零四年六月，本集團宣佈發行140,000,000美元五年期零息可換股債券，備受各界投資者歡迎。穩固之財政狀況將有助本集團日後之業務發展。

## 業務回顧

### 電動工具產品

電動工具產品業務之營業額較二零零三年度同期大幅攀升35.9%至4,712,000,000港元，佔集團營業額之70.1%。各主要市場及產品系列均錄得增長，同時市場佔有率亦持續上升。

北美洲方面，在與零售合作夥伴共同推行優惠店服務計劃及強勁宣傳推廣帶動下，具市場知名度之Ryobi家用電動工具系列保持強勁增長。RIDGID®專業級電動工具系列則以其設計創新、耐用可靠及優良素質，繼續成為暢銷產品。Ryobi及RIDGID®成功樹立有別於其他電動工具品牌之市場定位。RIDGID®電動工具更獲多份業內雜誌評選為「最物超所值」之產品。此外，創科實業為35款RIDGID®品牌專業級電動工具系列所制訂之設計策略更贏得2004年工業設計(IDEA)優異銀獎。

歐洲方面，本集團繼續提高產品之市場佔有率。得力於更佳之品牌定位及推陳出新之產品，本集團在各主要市場之銷售額和盈利均錄得強勁增長。歐洲大陸方面，儘管整體經濟較疲弱，於回顧期內面世之Ryobi品牌新款產品亦備受歡迎，從而提高本集團在英國、德國、法國、西班牙及意大利之市場佔有率。銷售額之提高亦有賴於售後服務之增強，加上可透過互聯網訂購零部件使生產力得以提升所致。

戶外園藝電動工具方面，Homelite及Ryobi之產品備受歡迎，加上受惠於更佳之供應鏈管理，其在北美洲之營業收入均大幅增長。Ryobi戶外園藝電動工具在歐洲亦較去年度同期取得顯著增長，反映出市場對其產品存在一定需求。

## 地板護理產品

地板護理產品業務之營業額較去年同期上升53.1%至1,717,000,000港元，佔集團營業額之25.5%。

Royal在主要零售市場推出新產品，業務進展保持良好。受惠於整合在創科實業之集團架構內，Royal在北美洲之成本架構已得到改善，同時精簡產品開發工序。上述減省所得之大部份將用於強勁之「Dirt Devil」品牌地板護理產品之宣傳推廣上。歐洲業務保持可觀增長，尤以德國市場表現突出，其產品已晉升至市場第二位。

此外，Vax之業務進展亦良好。隨著存貨銷清及推出與Royal共同開發以Vax為品牌之新產品，英國市場之營業收入取得不俗之增長。成本控制計劃之推行和設計獨特之新產品，均對利潤產生利好影響。澳洲方面，Vax獲主要客戶肯定其全國供應商地位，本集團將繼續推行業務增長計劃。

本集團亦繼續加強OEM業務。由於為客戶提供備受歡迎之產品，加上與兩家主要品牌公司訂立新合約，此方面業務取得飛躍增長。

## 太陽能照明、激光儀及電子量度儀

上半年度內，太陽能照明、激光儀及電子量度儀業務再創佳績。營業額較二零零三年度同期增加30.6%至295,000,000港元，佔集團營業額之4.4%。此項業務透過擴大各類產品系列帶動銷售，而近期投入資源開發技術亦有助其能更迅速地回應市場對創新產品之需求。

## 生產及物流

本集團仍以改進存貨管理作為營運重點，新推行多項存貨監察程序。本集團透過將客戶需求與產品訂購及銷售預測系統相結合，降低存貨水平及同時提升創科實業與客戶之生產力，藉以加強客戶關係。

上半年度內，本集團已完成重整Royal之業務，使其運作能與本集團確保以最具成本效益方式生產之整體方針相符。本集團將再進一步整合Royal之業務以降低其固定成本。

## 展望

展望二零零四年度下半年，本集團有充份理由對保持業務強勁增長勢頭深具信心。本集團將繼續擴大產品種類，同時透過旗下知名品牌為客戶提供更廣泛系列之優質和創新產品。

電動工具業務將可受惠於Ryobi在各市場快將推出之新款電動工具。此外，隨著RIDGID®品牌現已在市場上穩佔一席位，預期下半年度當進一步拓展專業級電動工具市場時，此項業務應可取得更強勁增長。

戶外園藝電動工具方面，在Ryobi和Homelite兩個品牌之基礎上，本集團將繼續加強產品平台，確保推出更多元化之產品種類以迎合更廣泛之客戶層面。

地板護理產品方面，透過在零售層面銷售新產品，配合更強而有力之市場推廣，將可進一步推動Dirt Devil之營業收入。藉著擴大產品系列、鞏固客戶關係及加強宣傳以增加品牌知名度，Vax可望保持理想表現。本集團在不斷拓展地板護理產品業務之餘，將繼續提升營運效率及推行減省成本措施，此將對利潤產生利好影響。

太陽能照明、激光儀及電子量度儀業務方面，各類產品及市場之銷售額均預期會有所增長。此項業務將繼續擴大新開發之嬰兒護理產品系列，及加快開發和推出新穎手提電子工具與激光儀。此外，本集團將投入資源開發革命性之太陽能專利技術，確保創新產品源源不絕地流入市場。

總括而言，創科實業具有利條件於二零零四全年度繼續朝高增長路向發展。儘管經濟前景欠明朗，根據過往經驗，本集團之業務並不太受建屋量變化之影響。本集團之業務擴展勢頭將由更多元化之產品及市場所帶動。除專注於核心業務外，本集團亦把握機會開拓仍未充份發揮潛力之產品類別。本集團之業務持續增長，消費用戶與股東將同告受惠。

## 業績分析

在各業務環節及主要市場之強勁增長帶動下，本集團於回顧期內之營業收入增長39.7%至6,724,000,000港元。期內溢利增加41.8%至299,000,000港元。每股盈利增加38.2%至22.49港仙。

毛利率由二零零三年度首六個月之26.9%增加至回顧期內之29.8%。毛利率改善乃得力於理想產品組合，加上本集團能發揮業務規模擴大之效益及開拓新市場所致。與二零零三年全年度之毛利率29.6%相比，利潤率亦有所改善，反映出本集團之整體利潤率未有受到二零零三年第四季起多類原材料及零部件成本上漲之影響。

本集團繼續擴展自有品牌業務，其佔集團營業額之比率由59.0%提高至二零零四年度上半年之74.1%，增幅達75.2%。銷售、分銷、宣傳及保用費用佔集團營業額之比率亦因而由9.9%增加至10.3%。

為保持業務增長勢頭，本集團繼續投放資源於創新優質產品之設計及開發上。於六個月回顧期內，本集團耗資165,000,000港元於新產品之設計及開發上，佔集團營業額之2.5%，相比於去年度則為1.5%。行政費用上升乃歸因於收購Royal業務之相關商譽帶來較高攤銷金額，以及為遵循本集團提高管理人才素質之方針而額外增加成本所致。

## 流動資金及財政資源

本集團之營運資金仍然充裕。於二零零四年六月三十日之流動資產淨值為2,150,000,000港元，相比於二零零三年六月三十日及二零零三年十二月三十一日則分別為1,620,000,000港元及1,980,000,000港元。由於要為下半年度之付運高峰期作好準備，本集團於上半年度對營運資金之需求一般會較高。基於本集團之業務持續帶來大量流動現金，預計於本年全年度完結前營運資金狀況會獲得進一步改善。

儘管營業收入增幅超過39.7%，存貨總值僅較二零零三年十二月三十一日增加1.9%。平均存貨周轉期為68日，較去年度同期之存貨周轉期縮短10日。銷售賬款周轉期亦較去年度同期縮短2日至48日。

採購賬款及其他應付賬周轉期為53日，而應付票據周轉期為60日，相比於二零零三年度同期則分別為63日及55日。

本集團於二零零四年六月三十日持有淨現金，相比於去年度同期之資本與負債比率則為53.1%。資本與負債比率乃淨借貸總額佔股東權益總額之百分比。借貸總額由去年度同期之2,370,000,000港元下降至回顧期內之1,960,000,000港元，與二零零三年十二月三十一日之借貸總額水平相比並無重大變動。

本集團之借貸主要以美元及港元計算。除去年度發行之定息票據外，借貸全部按倫敦銀行同業拆息或香港最優惠貸款利率計算。由於本集團之營業收入主要以美元計算，而借貸及付款則主要以美元或港元計算，兩者之間產生自然對沖作用，故匯率風險相對較低。本集團會繼續監察及管理匯率和利率風險。

於回顧期內之淨利息開支為37,000,000港元，僅較去年度同期增加3,000,000港元。利息保障（即除利息及稅項前溢利相對於淨利息開支總額之倍數）為10.35倍，較二零零三年度首六個月之8.17倍有所改善。期內資本開支為124,000,000港元，與本集團制訂之預算及指引相符。於回顧期內之折舊開支為161,000,000港元。

### 發行零息可換股債券

於二零零四年六月十六日，本集團宣佈按面值發行五年期零息可換股債券。債券總本金額為140,000,000美元（約1,092,000,000港元）。債券將於二零零九年到期並可轉換為本公司之普通股。初步轉換價為每股16.56港元，較二零零四年六月十六日股份在香港聯合交易所之收市價溢價38%。假定債券按初步轉換價每股16.56港元獲全數換股，債券將會轉換為約65,922,584股股份，相當於公佈日期本公司已發行股本約4.93%，以及相當於經發行轉換股份擴大後本公司已發行股本約4.71%。除非提前被贖回、轉換或購回及註銷，本公司將於二零零九年七月八日到期日按本金額之107.76%贖回每份債券。然而，於二零零七年七月八日或之後及到期日之前，每份債券持有人將有權選擇要求本公司按本金額之104.59%贖回全部或僅贖回部份債券。

發行債券即時籌集所得資金可作一般企業及營運資金用途，包括為可能進行之收購提供資金，而債券倘獲轉換為股份，將會擴大股東資金基礎，從而促進本公司之業務發展及擴充。

債券發行已於二零零四年七月八日圓滿完成。

### 資本承擔及或然負債

於二零零四年六月三十日，仍未就位於中國東莞市之土地作出撥備之資本承擔金額約為28,000,000港元。於二零零四年六月三十日之資本承擔總額為121,000,000港元，相比於二零零三年十二月三十一日則為89,000,000港元。

除日常業務之已貼現商業票據外，並無重大或然負債或資產負債表外之承擔。

### 抵押

本集團之資產概無用作抵押或附有任何債權。

### 人力資源

本集團在香港及海外共聘用16,294名僱員（二零零三年：16,112名僱員）。於回顧期內之員工成本總額為647,000,000港元，相比於去年度同期則為492,000,000港元。上述增加乃因本集團擴充業務規模所致。

本集團認為人才對業務之持續發展及盈利能力至為重要，並一直致力提升所有員工之素質、工作能力及技術水平。為此，本集團向全體員工提供與職務相關之培訓。

本集團繼續提供理想薪酬，並根據集團整體表現與個別員工表現向合資格員工酌情發放優先認股權及花紅。

# 中期股息

董事會建議派發中期股息每股4.500港仙(二零零三年中期股息：3.625港仙)。中期股息將派發予二零零四年九月十七日名列本公司股東名冊之股東。預期中期股息將約於二零零四年九月三十日派發。

## 暫停辦理股東登記手續

本公司將於二零零四年九月十三日(星期一)至二零零四年九月十七日(星期五)(包括首尾兩天在內)期間暫停辦理股東登記手續。股東如欲獲派中期股息，須於二零零四年九月十日(星期五)下午四時前將所有過戶文件連同有關股票，送交本公司之股份過戶登記處秘書商業服務有限公司，地址為香港灣仔告士打道56號東亞銀行港灣中心地下。

簡明綜合收入報表(未經審核)

截至二零零四年六月三十日止六個月

	附註	2004 千港元	2003 千港元	2004 千美元 (附註13)	2003 千美元 (附註13)
營業額	2	<b>6,724,115</b>	4,814,649	<b>862,066</b>	617,263
銷售成本		<b>(4,720,044)</b>	(3,519,725)	<b>(605,134)</b>	(451,247)
毛利總額		<b>2,004,071</b>	1,294,924	<b>256,932</b>	166,016
其他經營收入		<b>14,074</b>	33,377	<b>1,804</b>	4,279
利息收入		<b>22,155</b>	5,361	<b>2,840</b>	687
銷售、分銷、宣傳及保用費用		<b>(693,737)</b>	(474,426)	<b>(88,941)</b>	(60,824)
行政費用		<b>(762,714)</b>	(496,323)	<b>(97,785)</b>	(63,631)
研究及開發費用		<b>(164,759)</b>	(69,842)	<b>(21,123)</b>	(8,954)
經營溢利	3	<b>419,090</b>	293,071	<b>53,727</b>	37,573
財務成本		<b>(58,702)</b>	(38,990)	<b>(7,526)</b>	(4,999)
未計應佔聯營公司業績及稅項前溢利		<b>360,388</b>	254,081	<b>46,201</b>	32,574
應佔聯營公司業績		<b>(626)</b>	187	<b>(80)</b>	24
除稅前溢利		<b>359,762</b>	254,268	<b>46,121</b>	32,598
稅項	4	<b>(42,677)</b>	(30,437)	<b>(5,471)</b>	(3,902)
未計少數股東權益前溢利		<b>317,085</b>	223,831	<b>40,650</b>	28,696
少數股東權益		<b>(18,227)</b>	(13,008)	<b>(2,337)</b>	(1,668)
本期間溢利		<b>298,858</b>	210,823	<b>38,313</b>	27,028
股息	5	<b>(118,444)</b>	(65,388)	<b>(15,185)</b>	(8,383)
每股盈利	6				
基本(港仙/美仙)		<b>22.49</b>	16.28	<b>2.88</b>	2.09
攤薄後(港仙/美仙)		<b>21.78</b>	15.91	<b>2.79</b>	2.04



# 簡明綜合資產負債表

於二零零四年六月三十日

	附註	2004年 6月30日 千港元 (未經審核)	2003年 12月31日 千港元 (經審核)	2004年 6月30日 千美元 (附註13)	2003年 12月31日 千美元 (附註13)
<b>資產</b>					
<b>非流動資產</b>					
物業、廠房及設備		863,915	904,356	110,758	115,943
商譽		635,580	652,760	81,485	83,687
負商譽		(31,023)	(33,175)	(3,977)	(4,253)
無形資產		178,669	25,154	22,906	3,225
於聯營公司應佔資產額		132,124	118,394	16,939	15,179
證券投資		38,608	41,419	4,950	5,310
遞延稅項資產		300,706	273,937	38,552	35,120
其他資產		1,195	1,195	153	153
		<b>2,119,774</b>	<b>1,984,040</b>	<b>271,766</b>	<b>254,364</b>
<b>流動資產</b>					
存貨		2,539,274	2,491,650	325,548	319,442
銷售賬款及其他應收賬	7	1,579,099	2,197,789	202,449	281,768
訂金及預付款項		328,424	293,408	42,106	37,616
應收票據		122,984	36,409	15,767	4,668
證券投資		5,635	5,575	722	715
可退回稅款		1,123	51,274	144	6,574
聯營公司銷售賬款		40	48	5	6
銀行結餘、存款及現金		1,970,998	2,586,075	252,692	331,548
		<b>6,547,577</b>	<b>7,662,228</b>	<b>839,433</b>	<b>982,337</b>
<b>流動負債</b>					
採購賬款、應付票據及其他應付賬	8	3,427,325	4,894,161	439,401	627,457
保用撥備		183,122	208,552	23,477	26,737
聯營公司採購賬款		9,319	3,230	1,195	414
應繳稅項		108,165	68,114	13,867	8,733
應派股息		118,444	–	15,185	–
融資租約承擔—於一年內到期		2,988	5,485	383	703
借款—於一年內到期		549,011	497,975	70,386	63,843
		<b>4,398,374</b>	<b>5,677,517</b>	<b>563,894</b>	<b>727,887</b>
<b>流動資產淨值</b>		<b>2,149,203</b>	<b>1,984,711</b>	<b>275,539</b>	<b>254,450</b>
<b>資產總值減流動負債</b>		<b>4,268,977</b>	<b>3,968,751</b>	<b>547,305</b>	<b>508,814</b>
<b>股本與儲備</b>					
股本	9	133,663	132,497	17,136	16,987
儲備		2,614,167	2,380,387	335,150	305,178
		<b>2,747,830</b>	<b>2,512,884</b>	<b>352,286</b>	<b>322,165</b>
<b>少數股東權益</b>		<b>64,601</b>	<b>46,374</b>	<b>8,282</b>	<b>5,945</b>
<b>非流動負債</b>					
融資租約承擔—於一年後到期		3,148	14,261	404	1,828
借款—於一年後到期		1,405,489	1,348,497	180,191	172,884
遞延稅項負債		47,909	46,735	6,142	5,992
		<b>1,456,546</b>	<b>1,409,493</b>	<b>186,737</b>	<b>180,704</b>
		<b>4,268,977</b>	<b>3,968,751</b>	<b>547,305</b>	<b>508,814</b>

簡明綜合現金流動表(未經審核)

截至二零零四年六月三十日止六個月

	2004年 6月30日 千港元	2003年 6月30日 千港元	2004年 6月30日 千美元 (附註13)	2003年 6月30日 千美元 (附註13)
用於經營活動之現金淨額	(490,549)	(542,771)	(62,891)	(69,586)
用於投資活動之現金淨額	(267,791)	(897,056)	(34,332)	(115,007)
來自融資活動之現金淨額	151,482	786,548	19,421	100,839
現金及現金等額減少淨額	(606,858)	(653,279)	(77,802)	(83,754)
於一月一日之現金及現金等額	2,444,098	1,753,900	313,346	224,859
匯率折算之差額	(5,789)	46,370	(743)	5,945
於六月三十日之現金及現金等額	1,831,451	1,146,991	234,801	147,050
現金及現金等額結餘之分析				
可分為：				
銀行結餘、存款及現金	1,970,998	1,288,907	252,692	165,244
銀行透支	(139,547)	(141,916)	(17,891)	(18,194)
	1,831,451	1,146,991	234,801	147,050

# 簡明綜合權益變動表(未經審核)

截至二零零四年六月三十日止六個月

	股本 千港元	股份溢價 千港元	換算儲備 千港元	保留溢利 千港元	總額 千港元
於二零零三年一月一日	129,143	613,499	(16,769)	1,102,064	1,827,937
未於收入報表內確認換算海外業務 之財務報告所引起之匯兌差額	-	-	37,423	-	37,423
按溢價發行股份	1,633	26,417	-	-	28,050
本期間溢利	-	-	-	210,823	210,823
末期股息－二零零二年	-	-	-	(65,388)	(65,388)
於二零零三年六月三十日	130,776	639,916	20,654	1,247,499	2,038,845
於二零零四年一月一日	132,497	672,083	45,519	1,662,785	2,512,884
未於收入報表內確認換算海外業務 之財務報告所引起之匯兌差額	-	-	(4,237)	-	(4,237)
按溢價發行股份	1,166	57,603	-	-	58,769
本期間溢利	-	-	-	298,858	298,858
末期股息－二零零三年	-	-	-	(118,444)	(118,444)
於二零零四年六月三十日	<b>133,663</b>	<b>729,686</b>	<b>41,282</b>	<b>1,843,199</b>	<b>2,747,830</b>

## 1. 編製賬目基準

本集團之未經審核中期業績乃按照香港會計師公會頒佈之會計實務準則第25號「中期財務報告」，並根據與截至二零零三年十二月三十一日止年度之報告及財務報表中所採納之會計政策保持一致之基準而編製。

若干比較數字已重新歸類以符合本期間之列賬形式。

## 2. 業務及市場分析資料

截至六月三十日止六個月				
	營業額		分類業績	
	2004 千港元	2003 千港元	2004 千港元	2003 千港元
以主要業務劃分：				
製造及經銷：				
電動工具產品	4,711,892	3,467,171	294,282	198,682
地板護理產品	1,717,292	1,121,715	80,457	58,135
太陽能照明、激光儀及電子量度儀	294,931	225,763	59,379	41,698
	6,724,115	4,814,649	434,118	298,515
商譽攤銷			(17,180)	(7,596)
負商譽撥回收入			2,152	2,152
對經營溢利之貢獻			419,090	293,071
以地域市場劃分：				
北美洲	5,259,245	3,784,207	366,423	236,667
歐洲	1,084,364	766,976	66,244	45,095
其他國家	380,506	263,466	1,451	16,753
	6,724,115	4,814,649	434,118	298,515
商譽攤銷			(17,180)	(7,596)
負商譽撥回收入			2,152	2,152
對經營溢利之貢獻			419,090	293,071

## 3. 經營溢利

截至六月三十日止六個月		
	2004 千港元	2003 千港元
經營溢利已扣除(計入)下列各項：		
物業、廠房及設備折舊及攤銷	160,746	137,085
無形資產攤銷	4,597	2,531
商譽攤銷	17,180	7,596
負商譽撥回收入	(2,152)	(2,152)
員工成本	646,596	492,411

#### 4. 稅項

	截至六月三十日止六個月	
	2004	2003
	千港元	千港元
稅項支出總額包括：		
按本期間之估計應課稅溢利以17.5%稅率計算之香港利得稅	33,531	23,009
海外稅項	14,501	7,266
遞延稅項	(5,355)	162
	42,677	30,437

其他司法權區之稅項按有關地區之適用稅率計算。

遞延稅項按預計於償還負債或變賣資產期間之適用稅率撥備。

#### 5. 股息

每股現有股份宣派之二零零三年度末期股息17.75港仙及派發之二零零三年度中期股息7.25港仙，已分別調整為每股拆細股份8.875港仙及3.625港仙。

#### 6. 每股盈利

基本及攤薄後之每股盈利乃根據以下數據計算：

	截至六月三十日止六個月	
	2004	2003
	千港元	千港元
用作計算基本及攤薄後每股盈利之盈利：		
本期間溢利	298,858	210,823
用作計算基本每股盈利之普通股加權平均數	1,328,955,297	1,295,481,764
普通股可能產生之攤薄影響：		
優先購股權	43,371,852	29,424,128
用作計算攤薄後每股盈利之普通股加權平均數	1,372,327,149	1,324,905,892

每股盈利及普通股加權平均數之比較數額已就本期間本公司股份拆細之影響作出調整。

#### 7. 銷售賬款及其他應收賬

本集團給予客戶之掛賬期介乎六十日至一百二十日。銷售賬款之賬齡分析如下：

	2004年 6月30日	2003年 12月31日
	千港元	千港元
零至六十日	1,231,410	1,711,577
六十一日至一百二十日	200,085	346,828
一百二十一日或以上	26,142	26,918
銷售賬款總額	1,457,637	2,085,323
其他應收賬	121,462	112,466
	1,579,099	2,197,789

## 8. 採購賬款、應付票據及其他應付賬

採購賬款之賬齡分析如下：

	2004年 6月30日 千港元	2003年 12月31日 千港元
零至六十日	932,301	1,042,276
六十一日至一百二十日	98,719	202,605
一百二十一日或以上	9,770	7,263
採購賬款總額	1,040,790	1,252,144
應付票據	1,606,915	2,809,963
其他應付賬	779,620	832,054
	3,427,325	4,894,161

## 9. 股本

	股數		股本	
	2004年 6月30日	2003年 12月31日	2004年 6月30日 千港元	2003年 12月31日 千港元
普通股				
法定股本：				
於一月一日每股面值0.20港元之股份	800,000,000	800,000,000	160,000	160,000
增加每股面值0.20港元之法定股本	400,000,000	—	80,000	—
每股面值0.20港元之股份各拆細 為每股面值0.10港元之股份兩股	1,200,000,000	—	—	—
每股面值0.10港元(二零零三年： 每股面值0.20港元)之股份	2,400,000,000	800,000,000	240,000	160,000
已發行及繳足股本：				
於一月一日每股面值0.20港元之股份	662,486,826	645,716,826	132,497	129,143
按行使優先認股權發行股份	8,657,000	16,770,000	1,166	3,354
每股面值0.20港元之股份各拆細 為每股面值0.10港元之股份兩股	665,481,826	—	—	—
每股面值0.10港元(二零零三年： 每股面值0.20港元)之股份	1,336,625,652	662,486,826	133,663	132,497

於二零零四年五月二十八日，本公司之股東通過普通決議案批准將本公司之法定股本增加(「增加股本」)至240,000,000港元，並將法定股本中每股面值0.20港元之已發行及未發行股份拆細(「股份拆細」)為每股面值0.10港元之普通股兩股。增加股本及股份拆細已分別於二零零四年五月二十八日及三十一日生效。

於期內發行之股份在各方面與既有之股份享有同等權益。

## 10. 資本承擔

	2004年 6月30日 千港元	2003年 12月31日 千港元
已訂約但於財務報表中未撥備有關 購買物業、廠房及設備之資本開支	108,716	85,598
已批准但於財務報表中未訂約有關 購買物業、廠房及設備之資本開支	12,518	3,398

## 11. 或然負債

	2004年 6月30日 千港元	2003年 12月31日 千港元
就聯營公司動用之信貸融資而向銀行提供之擔保	25,288	16,904
有追索權之貼現票據	269,892	180,133
	295,180	197,037

## 12. 結算日以後事項

於二零零四年六月十六日，本集團宣佈按面值發行五年期零息可換股債券。債券總本金額為140,000,000美元（約1,092,000,000港元）。債券將於二零零九年到期並可轉換為本公司之普通股。初步轉換價為每股16.56港元，較二零零四年六月十六日股份在香港聯合交易所之收市價溢價38%。假定債券按初步轉換價每股16.56港元獲全數換股，債券將會轉換為約65,922,584股股份，相當於公佈日期本公司已發行股本約4.93%，以及相當於經發行轉換股份擴大後本公司已發行股本約4.71%。除非提前被贖回、轉換或購回及註銷，本公司將於二零零九年七月八日到期日按本金額之107.76%贖回每份債券。然而，於二零零七年七月八日或之後及到期日之前，每份債券持有人將有權選擇要求本公司按本金額之104.59%贖回全部或僅贖回部份債券。

發行債券即時籌集所得資金可作一般企業及營運資金用途，包括為可能進行之收購提供資金，而債券倘獲轉換為股份，將會擴大股東資金基礎，從而促進本公司之業務發展及擴充。

債券發行已於二零零四年七月八日圓滿完成。

## 13. 美元等同金額

所示美元款額僅供參考，以7.8港元兌1.0美元之固定匯率計算。

## 董事及主要行政人員之股份權益

於二零零四年六月三十日，依據證券及期貨條例（「證券及期貨條例」）第XV部第7及8分部已通知本公司，本公司之董事及主要行政人員擁有本公司或其任何相聯法團（定義見證券及期貨條例第XV部）之股份、相關股份及債權證之權益及淡倉（包括依據證券及期貨條例規定該董事或主要行政人員被視為擁有之權益及淡倉），或根據證券及期貨條例第352條規定須予保存之登記冊所記錄，或已另行通知本公司及依據上市公司董事進行證券交易之標準守則已通知香港聯合交易所有限公司（「聯交所」）之權益如下：

董事姓名	公司/相聯法團名稱	身份/權益性質	股份權益(依據股本衍生工具而持有除外) <sup>(1)</sup>	依據股本衍生工具而持有之相關股份權益 <sup>(1)</sup>	股份/相關股份權益總額	佔權益總額之概約百分比
Horst Julius Pudwill先生	本公司	實益擁有人	71,974,000	31,088,000	326,481,794	24.43%
	本公司	配偶權益	760,000	-	-	
	本公司	受控法團權益	222,659,794 <sup>(2)</sup>	-	-	
鍾志平先生	本公司	實益擁有人	113,541,948	13,824,000	164,576,978	12.31%
	本公司	配偶權益	136,000	-	-	
	本公司	受控法團權益	37,075,030 <sup>(3)</sup>	-	-	
陳建華先生	本公司	實益擁有人	2,364,000	2,500,000	4,864,000	0.36%
陳志聰先生	本公司	實益擁有人	1,000,000	3,000,000	4,000,000	0.30%
浦上彰夫博士	本公司	實益擁有人	300,000	1,300,000	1,600,000	0.12%
張定球先生	本公司	實益擁有人	1,920,000	800,000	2,720,000	0.20%
Joel Arthur Schleicher先生	本公司	實益擁有人	200,000	500,000	700,000	0.05%
Christopher Patrick Langley先生	本公司	實益擁有人	490,000	300,000	790,000	0.06%

附註：

(1) 上述股份及相關股份之權益均屬於好倉。

股本衍生工具以實物方式交收及屬於非上市。

本公司之董事擁有依據股本衍生工具而持有之相關股份權益乃為依據本公司採納之優先認股計劃授予該等董事之優先認股權。

(2) 此等股份由下列公司持有，而下列公司則由Horst Julius Pudwill先生實益擁有：

	股份數目
Sunning Inc.	185,584,764
Cordless Industries Company Limited*	37,075,030
	<b>222,659,794</b>

(3) 此等股份由Cordless Industries Company Limited\*持有，而該公司則由鍾志平先生實益擁有。

\* Cordless Industries Company Limited由Horst Julius Pudwill先生擁有70%及鍾志平先生擁有30%。

除上文所披露者外，於二零零四年六月三十日，本公司之董事及主要行政人員概無擁有本公司及其相聯法團（定義見證券及期貨條例第XV部）之任何股份、相關股份或債權證之權益或淡倉。



## 優先認股權

截至二零零四年六月三十日止六個月期間內，本公司優先認股權變動如下：

董事姓名	授予 優先 認股權 日期	優先 認股 類別 <sup>(2)</sup>	於期初 尚未 行使 之優先 認股權	股份拆細 前授予 之優先 認股權 <sup>(3)</sup>	股份拆細 前行使 之優先 認股權 <sup>(4)</sup>	就期內 股份拆細 所作之 數額調整 <sup>(1)</sup>	期內股份 拆細後授 予之優先 認股權 <sup>(3)</sup>	期內股份 拆細後行 使之優先 認股權 <sup>(4)</sup>	期內已 屆滿之 優先 認股權	於期末 尚未 行使 之優先 認股權	股份 拆細 前之 認購價 港元	就股份 拆細之 影響 調整之 認購價 <sup>(1)</sup> 港元	行使期
Horst Julius Pudwil先生	19.6.2001	B	2,200,000	-	-	2,200,000	-	-	-	4,400,000	2.2600	1.1300	19.6.2001 - 18.6.2006
	28.6.2002	C	12,864,000	-	-	12,864,000	-	-	-	25,728,000	7.2000	3.6000	28.6.2002 - 27.6.2007
	19.9.2003	C	280,000	-	-	280,000	-	-	-	560,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	C	-	200,000	-	200,000	-	-	-	400,000	24.3400	12.1700	25.2.2004 - 24.2.2009
鍾志平先生	28.6.2002	C	6,432,000	-	-	6,432,000	-	-	-	12,864,000	7.2000	3.6000	28.6.2002 - 27.6.2007
	19.9.2003	C	280,000	-	-	280,000	-	-	-	560,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	C	-	200,000	-	200,000	-	-	-	400,000	24.3400	12.1700	25.2.2004 - 24.2.2009
陳建華先生	19.9.2003	C	250,000	-	-	250,000	-	-	-	500,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	C	-	500,000	-	500,000	-	-	-	1,000,000	24.3400	12.1700	25.2.2004 - 24.2.2009
	1.3.2004	C	-	500,000	-	500,000	-	-	-	1,000,000	25.0500	12.5250	1.3.2004 - 28.2.2009
陳志聰先生	17.7.2003	C	500,000	-	-	500,000	-	-	-	1,000,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	19.9.2003	C	250,000	-	-	250,000	-	-	-	500,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	25.2.2004	C	-	500,000	-	500,000	-	-	-	1,000,000	24.3400	12.1700	25.2.2004 - 24.2.2009
	1.3.2004	C	-	250,000	-	250,000	-	-	-	500,000	25.0500	12.5250	1.3.2004 - 28.2.2009
浦上彰夫博士	6.6.2001	B	250,000	-	250,000	-	-	-	-	-	2.0920	1.0460	6.6.2001 - 5.6.2006
	30.4.2002	C	250,000	-	-	250,000	-	-	-	500,000	6.4000	3.2000	30.4.2002 - 29.4.2007
	5.7.2002	C	100,000	-	-	100,000	-	-	-	200,000	6.7000	3.3500	5.7.2002 - 4.7.2007
	17.7.2003	C	150,000	-	-	150,000	-	-	-	300,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	C	-	150,000	-	150,000	-	-	-	300,000	24.3400	12.1700	25.2.2004 - 24.2.2009
張定球先生	30.4.2002	C	200,000	-	-	200,000	-	-	-	400,000	6.4000	3.2000	30.4.2002 - 29.4.2007
	17.7.2003	C	150,000	-	-	150,000	-	-	-	300,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Joel Arthur Schleicher先生	30.4.2002	C	100,000	-	-	100,000	-	-	-	200,000	6.4000	3.2000	30.4.2002 - 29.4.2007
	17.7.2003	C	100,000	-	-	100,000	-	-	-	200,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004 - 24.2.2009
Christopher Patrick Langley先生	30.4.2002	C	100,000	-	100,000	-	-	-	-	-	6.4000	3.2000	30.4.2002 - 29.4.2007
	17.7.2003	C	100,000	-	-	100,000	-	-	-	200,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	25.2.2004	C	-	50,000	-	50,000	-	-	-	100,000	24.3400	12.1700	25.2.2004 - 24.2.2009
董事授總額			24,556,000	2,450,000	350,000	26,656,000	-	-	-	53,312,000			
僱員	23.7.2001	B	300,000	-	-	300,000	-	-	-	600,000	2.1160	1.0580	23.7.2001 - 22.7.2006
	30.4.2002	C	4,130,000	-	1,445,000	2,685,000	-	1,462,000	-	3,908,000	6.4000	3.2000	30.4.2002 - 29.4.2007
	5.7.2002	C	1,000,000	-	250,000	750,000	-	500,000	-	1,000,000	6.7000	3.3500	5.7.2002 - 4.7.2007
	6.6.2003	C	50,000	-	-	50,000	-	100,000	-	-	12.0800	6.0400	6.6.2003 - 5.6.2008
	10.6.2003	C	500,000	-	-	500,000	-	-	-	1,000,000	12.3500	6.1750	10.6.2003 - 9.6.2008
	17.7.2003	C	10,555,000	-	700,000	9,855,000	-	3,600,000	24,000	16,086,000	15.2500	7.6250	17.7.2003 - 16.7.2008
	13.8.2003	C	30,000	-	-	30,000	-	-	-	60,000	16.1500	8.0750	13.8.2003 - 12.8.2008
	1.9.2003	C	32,000	-	-	32,000	-	-	-	64,000	17.6500	8.8250	1.9.2003 - 31.8.2008
	19.9.2003	C	102,000	-	-	102,000	-	-	-	204,000	17.3700	8.6850	19.9.2003 - 18.9.2008
	18.12.2003	C	74,000	-	-	74,000	-	-	-	148,000	20.7200	10.3600	18.12.2003 - 17.12.2008
	1.3.2004	C	-	5,683,000	-	5,683,000	-	-	-	11,366,000	25.0500	12.5250	1.3.2004 - 28.2.2009
	14.4.2004	C	-	100,000	-	100,000	-	-	-	200,000	25.9000	12.9500	14.4.2004 - 13.4.2009
	5.5.2004	C	-	150,000	-	150,000	-	-	-	300,000	22.1000	11.0500	5.5.2004 - 4.5.2009
	7.6.2004	C	-	-	-	-	200,000	-	-	200,000	-	12.0000	7.6.2004 - 6.6.2009
	25.6.2004	C	-	-	-	-	40,000	-	-	40,000	-	11.5000	25.6.2004 - 24.6.2009
僱員授總額			16,773,000	5,933,000	2,395,000	20,311,000	240,000	5,662,000	24,000	35,176,000			
其他	30.4.2002	C	250,000	-	250,000	-	-	-	-	-	6.4000	3.2000	30.4.2002 - 29.4.2007
			41,579,000	8,383,000	2,995,000	46,967,000	240,000	5,662,000	24,000	88,488,000			
B計劃下之總額			2,750,000	-	250,000	2,500,000	-	-	-	5,000,000			
C計劃下之總額			38,829,000	8,383,000	2,745,000	44,467,000	240,000	5,662,000	24,000	83,488,000			
總額			41,579,000	8,383,000	2,995,000	46,967,000	240,000	5,662,000	24,000	88,488,000			

附註：

- (1) 截至二零零四年六月三十日止六個月期間，按行使優先認股權可認購之股份數目及行使價已就本公司股份拆細之影響作出調整(於二零零四年五月三十一日生效)。
- (2) 於一九九零年十一月二十八日獲採納並於二零零零年十一月二十七日期限屆滿之計劃(「A計劃」)。  
於二零零一年五月二十五日獲採納並於二零零二年三月二十八日期限屆滿之計劃(「B計劃」)。  
於二零零二年三月二十八日獲採納之計劃(「C計劃」)。
- (3) 緊接二零零四年二月二十五日、二零零四年三月一日、二零零四年四月十四日、二零零四年五月五日、二零零四年六月七日及二零零四年六月二十五日等授出日期之前，本公司股份之收市價分別為11.925港元、12.900港元、12.850港元、11.250港元、11.200港元及11.450港元(經就股份拆細之影響作出調整)。
- (4) 緊接優先認股權行使日期之前，本公司股份之加權平均收市價介乎10.57港元至13.11港元(經就股份拆細之影響作出調整)。
- (5) 本期間內並無優先認股權被註銷。

## 主要股東之權益

於二零零四年六月三十日，依據證券及期貨條例第336條規定本公司須予保存之登記冊所記錄，下列人士(本公司之董事及主要行政人員除外)已依據證券及期貨條例第XV部第2及3分部向本公司披露擁有本公司之股份、相關股份及債權證之權益及淡倉如下：

名稱	股份權益總額 <sup>(1)</sup>	佔權益之概約百分比
FMR Corp. <sup>(2)</sup>	156,547,000	11.71%
Wellington Management Company, LLP <sup>(3)</sup>	92,225,312	6.90%
J.P. Morgan Chase & Co. <sup>(4)</sup>	82,583,932	6.18%

附註：

- (1) 上述股份權益均屬於好倉。
- (2) FMR Corp. 以投資經理人身份持有156,547,000股股份。
- (3) Wellington Management Company, LLP以投資經理人身份持有92,225,312股股份。
- (4) J.P. Morgan Chase & Co.持有之股份權益分析如下：

名稱	備註	股份權益總額		佔權益之概約百分比
		直接持有之權益	當作持有之權益	
J.P. Morgan Chase & Co.	(a)	-	82,583,932	6.18%
J.P. Morgan Fleming Asset Management Holdings Inc.	(b)	-	41,205,000	3.08%
J.P. Morgan Fleming Asset Management (Asia) Inc.	(b)	-	40,987,500	3.07%
JF Asset Management Limited	(b)	36,925,500	3,590,000	3.03%
JF Funds Limited	(b)	-	3,590,000	0.27%
JF Asset Management (Taiwan) Limited	(b)	3,590,000	-	0.27%
JF International Management Inc.	(b)	472,000	-	0.04%
Robert Fleming Holdings Ltd.	(b)	-	217,500	0.02%
Robert Fleming Asset Management Ltd.	(b)	-	217,500	0.02%
J.P. Morgan Fleming Asset Management (UK) Limited	(b)	217,500	-	0.02%
JPMorgan Chase Bank	(b)	39,298,932	2,080,000	3.10%
J.P. Morgan International Inc.	(b)	-	2,080,000	0.16%
J.P. Morgan International Finance Limited	(b)	-	2,080,000	0.16%
J.P. Morgan Holdings (UK) Limited	(b)	-	1,820,000	0.14%
J.P. Morgan Securities Ltd.	(b)	1,820,000	-	0.14%
J.P. Morgan Overseas Capital Corporation	(b)	-	260,000	0.02%
J.P. Morgan Whitefriars Inc.	(b)	260,000	-	0.02%

備註：

- (a) J.P. Morgan Chase & Co.於紐約證券交易所上市。  
J.P. Morgan Chase & Co.以下列身份持有82,583,932股股份：2,080,000股以實益擁有人身份持有、41,205,000股以投資經理人身份持有、39,298,932股以其他身份持有。上述82,583,932股股份包括39,298,932股可供借出之股份。

(b) J.P. Morgan Fleming Asset Management Holdings Inc.、J.P. Morgan Fleming Asset Management (Asia) Inc.、JF Asset Management Limited、JF Funds Limited、JF Asset Management (Taiwan) Limited、JF International Management Inc.、Robert Fleming Holdings Ltd.、Robert Fleming Asset Management Ltd.、J.P. Morgan Fleming Asset Management (UK) Limited、JPMorgan Chase Bank、J.P. Morgan International Inc.、J.P. Morgan International Finance Limited、J.P. Morgan Holdings (UK) Limited、J.P. Morgan Securities Ltd.、J.P. Morgan Overseas Capital Corporation及J.P. Morgan Whitefriars Inc.均為J.P. Morgan Chase & Co.之直接或間接附屬公司；基於證券及期貨條例規定，J.P. Morgan Chase & Co.被視為擁有此等附屬公司所持股份之權益。

除上文所披露者外，於二零零四年六月三十日，概無任何人士擁有根據證券及期貨條例第XV部第2及3分部須向本公司披露於本公司之股份或相關股份權益或淡倉。

### **購買股份或債券之安排**

除上文所披露者外，於本期間內任何時間本公司或其任何附屬公司並無訂立任何安排，致使本公司之董事可藉購入本公司或任何其他法人團體之股份或債券而獲益，而各董事或主要行政人員或彼等之任何配偶或未滿十八歲子女亦無擁有任何可認購本公司證券之權利或曾行使任何該等權利。

### **董事之重大合約權益**

於本期間之結算日或本期間內任何時間，本公司之董事並無於本公司或其任何附屬公司所訂立之重大合約中直接或間接擁有重大權益。

### **審核委員會**

審核委員會之成員包括大部份獨立非執行董事。審核委員會已和管理層審閱本集團所採用之會計政策及慣例，並曾商討內部監控及財務申報事宜，包括審閱截至二零零四年六月三十日止六個月之未經審核中期財務報表。

### **符合最佳應用守則**

據本公司之董事所知，並無任何資料可合理地顯示本公司目前並無遵守或於本期間內任何時間並無遵守香港聯合交易所有限公司制訂之上市規則附錄十四內所載之最佳應用守則。

### **購買、出售或贖回股份**

本公司或其任何附屬公司於期內概無購買、出售或贖回本公司之股份。

承董事會命

主席兼行政總裁

**Horst Julius Pudwill**

香港

二零零四年八月十二日

## 董事會

### 集團執行董事

Horst Julius Pudwill先生  
主席兼行政總裁

鍾志平先生  
集團董事總經理

陳建華先生  
陳志聰先生  
浦上彰夫博士

### 獨立非執行董事

張定球先生  
Joel Arthur Schleicher先生  
Christopher Patrick Langley先生

## 二零零四年財務事項日誌

六月三十日：六個月中期業績結算日  
八月十二日：公佈二零零四年度中期業績  
九月十日：登記二零零四年度中期股息  
之截止日期  
九月十三日至十七日：暫停辦理股東登記手續  
九月三十日：寄發中期股息單  
十二月三十一日：財政年度結算日

## 投資者關係聯絡處

投資者關係及傳訊部  
創科實業有限公司  
香港新界荃灣  
青山道388號  
中國染廠大廈24樓  
電郵：ir@tti.com.hk

## 網址

www.ttigroup.com

盈利業績、年報/中期報告可於以上網址瀏覽

## 股票代號

香港聯合交易所 669  
ADR Level 1 Programme TTNDY

## 股份過戶登記處

秘書商業服務有限公司  
香港灣仔  
告士打道中56號  
東亞銀行港灣中心地下  
電話：(852) 2980 1888  
傳真：(852) 2861 0285

## 美國預託證券託管商

The Bank of New York  
101 Barclay Street  
22nd Floor-West  
New York  
NY 10286  
USA

## 主要往來銀行

香港上海匯豐銀行有限公司  
德國商業銀行  
花旗銀行  
渣打銀行  
Wachovia Bank, N.A.

## 律師

張葉司徒陳律師事務所

## 核數師

德勤•關黃陳方會計師行

## 公司秘書

陳志聰先生

## 商標

所有商標均為其各自擁有人之註冊商標。

RIDGID®乃RIDGID, Inc.之註冊商標。RIDGID, Inc.乃位於美國聖路易斯的Emerson集團(紐約證券交易所：EMR)旗下的Emerson Professional Tools的業務之一。

## 亞洲

### 香港

豐利實業有限公司

豐利亞洲有限公司

### 總辦事處

香港青山道388號

工業大廈24樓

電話：(852) 2402 6888

傳真：(852) 2413 5971

Ryobi Laboratories Co. Ltd.

電話：(852) 2413 3923

傳真：(852) 2498 8264

豐利實業有限公司

電話：(852) 2480 0888

傳真：(852) 2480 1320

www.solarwired.com.hk

豐利實業製品(香港)有限公司

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工業大廈18樓

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東莞市厚街鎮

工業區

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豐利實業製品廠房一

豐利製品廠

東莞市厚街鎮

工業管理區上屯村

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傳真：(86-769) 558 7962

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紅梅村春家路38號

工業區

電話：518106

電話：(86-755) 2773 0588

傳真：(86-755) 2773 0433

### 台灣

豐利比股份有限公司

台中市崇德路二段

二樓9F-4

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傳真：(886-4) 2241 2541

## 北美洲

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150 Werlich Drive, Unit #5&6

Mississauga, Ontario N4T 1N6

電話：(1-519) 624 2222

傳真：(1-519) 624 0600

### 美國

Homelite Consumer Products, Inc.

www.homelite.com

Ryobi Technologies, Inc.

www.ryobitools.com

Technipac Industries North America, Inc.

1428 Pearman Dairy Road

Andersen, South Carolina 29625

電話：(1-864) 226 6511

傳真：(1-864) 261 9435

GWFI Industries, Inc.

255 Bumekintown Hwy.

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www.ryobi-europe.com

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Milperra, NSW 2214

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www.ryobi.com.au

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### 紐西蘭

Ryobi Technologies (New Zealand) Ltd.

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Mount Wellington

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電話：(64-9) 573 0230

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www.ryobi.co.nz

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# TECHTRONIC INDUSTRIES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

**US\$140,000,000**

## **Zero Coupon Convertible Bonds due 2009**

The Zero Coupon Convertible Bonds due 2009 in the aggregate principal amount of US\$140,000,000 (the "Bonds") will be issued by Techtronic Industries Company Limited (the "Issuer" or "TTI").

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on and after 7 August 2004 up to and including 1 July 2009 into fully paid ordinary shares with a par value of HK\$0.10 each of the Issuer (the "Shares") at an initial conversion price of HK\$16.56 per Share (the "Conversion Price"). The Conversion Price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds — Conversion". The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 16 June 2004 was HK\$12.00 per Share.

In lieu of delivery of some or all of the Shares required to be delivered upon the valid exercise of a conversion right, the Issuer may elect to make a cash settlement payment in respect of all or any portion of a holder's Bonds deposited for conversion. See "Terms and Conditions of the Bonds — Conversion — Conversion Procedure — Cash Settlement Option".

The Bonds will not bear interest except in limited circumstances. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 107.76 per cent. of their principal amount on 8 July 2009. All or some of the Bonds may be redeemed at the option of the relevant holder on 8 July 2007 at 104.59 per cent. of their principal amount. On or at any time after 8 July 2007, the Issuer may redeem from time to time all or (save in the circumstances described in item (ii) below, in which case all the Bonds must be redeemed) some only (being US\$1,000,000 in principal amount or integral multiples thereof) of the Bonds, at any time prior to maturity, at the relevant Early Redemption Amount (as defined in the Terms and Conditions), provided, however, that no such redemption may be made unless either (i) for each of 30 consecutive Trading Days (as defined in the Terms and Conditions), the last day of which period occurs no more than 5 Trading Days prior to the date upon which notice of such redemption is published, the closing price of the Shares was at least 130 per cent. of the then prevailing Conversion Price translated into US dollars at the Fixed Rate (as defined in the Terms and Conditions) on the relevant Trading Day or (ii) at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled. The Bonds may also be redeemed at the option of the holders at the Early Redemption Amount on the occurrence of a Change of Control or a De-Listing (each as defined in the Terms and Conditions) of the Issuer. All, but not some only, of the Bonds may be redeemed at any time at their Early Redemption Amount, together with accrued interest, in the event of certain changes relating to Hong Kong taxation. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation".

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of selectively marketed securities (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules")) and such permission is expected to become effective on 9 July 2004. The Shares are currently listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares issuable upon conversion of the Bonds.

**Investing in the Bonds and the Shares involves certain risks. See "Risk Factors" beginning on page 10.**

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**Issue Price: 100 per cent.**

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**The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States.**

**For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".**

The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about 8 July 2004 (the "Closing Date"), with a common depository for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream").

Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

*Joint Global Coordinators and Joint Bookrunners*



The date of this Offering Circular is 6 July 2004

enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, its subsidiaries and associated companies, (collectively, the "Group"), and the issue of the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in it relating to the Issuer and the Group are in every material respect true and accurate and not misleading, and (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; there are no other facts in relation to the Issuer, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group, the jointly controlled entities, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Lead Managers, the Trustee or the Agents. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or the jointly controlled entities or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Lead Managers, the Trustee or the Agents to subscribe for or purchase any of, the Bonds or Shares and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Lead Managers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Lead Managers, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and Shares deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Japan, Singapore and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".



for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Lead Managers or any person affiliated with the Lead Managers in connection with its investigation of the accuracy of such information or its investment decision.

The Hong Kong Stock Exchange takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Unless otherwise specified or the context requires, references herein to “Hong Kong dollars”, “HK dollars” and “HK\$” are to the lawful currency of Hong Kong, references herein to “US dollars” or “US\$” are to the lawful currency of the United States of America (the “US”), references herein to “Renminbi” or “RMB” are to the lawful currency of the People’s Republic of China (the “PRC”), references to “HKFRS” are to Hong Kong Financial Reporting Standards and references to “IFRS” are to International Financial Reporting Standards. For convenience only and unless otherwise noted, all translations from HK dollars into US dollars in this Offering Circular were made at the rate of HK\$7.7941 to US\$1.00, being the noon buying rates in New York City for cable transfers on 28 May 2004. No representation is made that the HK dollar or US dollar amounts referred to in this Offering Circular could have been or could be converted into US dollars or HK dollars, as the case may be, at any particular rate or at all. For further information relating to exchange rates, see “Exchange Rates”.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

**IN CONNECTION WITH THIS ISSUE, ABN AMRO BANK N.V. (HONG KONG BRANCH) AND NM ROTHSCHILD & SONS (HONG KONG) LIMITED, ACTING THROUGH ABN AMRO BANK N.V. (HONG KONG BRANCH), ON BEHALF OF THE LEAD MANAGERS MAY (TO THE EXTENT PERMITTED BY APPLICABLE LAWS) OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE LEAD MANAGERS TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.**

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The audited consolidated financial statements of the Issuer which are contained in the Annual Reports of the Issuer for the years ended 31 December 2001, 2002 and 2003 are incorporated by reference in this Offering Circular. Copies of the accounts are available and may be (i) obtained free of charge at the registered office of the Issuer at 24/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong or (ii) downloaded free of charge from the Issuer's website on the internet at [www.ttigroup.com](http://www.ttigroup.com).

The Issuer has made forward-looking statements in this Offering Circular regarding, among other things, the Issuer's financial condition, future expansion plans and business strategy. These forward-looking statements are based on the Issuer's current expectations about future events. Although the Issuer believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- risks associated with international global business activities;
- general economic and political conditions;
- possible disruptions to commercial activities due to nature and human induced disasters, including terrorist activities and armed conflict;
- fluctuations in foreign currency exchange rates; and
- those other risks identified in the "Risks Factors" section of this Offering Circular.

The words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's actual results could differ materially from those anticipated in these forward-looking statements.

*The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. You should therefore read this Offering Circular in its entirety.*

TTI is a limited liability company incorporated under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance") on 24 May 1985. TTI, together with its operating subsidiaries, including OWT, Homelite and Royal, is a world-leading manufacturer of innovative home improvement power tools and outdoor products, floor care appliances and electronic measuring products. TTI's operations are divided primarily into three categories:

- Power tools and outdoor products
- Floor care appliances
- Solar and electronic products

TTI manufactures and sells its products under its own globally recognised leading brands, namely, Ryobi®, Homelite®, VAX®, Royal®, Dirt Devil® and Regina®. TTI also manufactures products on a private label basis to reputable innovative brand name customers such as Sears' Craftsman® and RIDGID® series.

TTI initially began as an Original Equipment Manufacturer ("OEM") for some of the best-known names in the power tool industry such as Ryobi, Bosch and Sears. TTI subsequently expanded its capabilities into product design and development to become an Original Design Manufacturer ("ODM") and further evolved into an Own Brand Manufacturer ("OBM") when it acquired Ryobi's North American power tool products business in August 2000. TTI made further steps towards its vision of becoming a global OBM when it acquired Ryobi's power tool products business in Europe, Australia and New Zealand in August 2001 and February 2002, respectively. In November 2001, TTI expanded into the consumer outdoor products business with the acquisition of Homelite. It recently further expanded its outdoor products business by acquiring Ryobi's outdoor products brand licence in North America in January 2004. TTI is now the exclusive holder of the Ryobi brand licence for both power tools, floor care and outdoor power equipment in North America, Europe, Australia and New Zealand. TTI entered the floor care business by acquiring VAX in September 1999. It subsequently expanded its floor care business with the acquisition of the Regina brand in early 2003 and Royal in April 2003. The Royal acquisition brought into the TTI floor care portfolio the Dirt Devil and Royal brands.

Headquartered in Hong Kong, TTI's principal manufacturing plants are located in the PRC with additional production facilities in North America. In-house research and marketing centers are located in Hong Kong, the US, the United Kingdom (the "UK"), Germany and other countries.

TTI has been listed on the Hong Kong Stock Exchange since 1990. As of 2 July 2004, TTI had a market capitalization of US\$2,152,224,366 based on 1,336,625,652 Shares.

TTI has received various awards and accolades from its customers and the Hong Kong business community over the past few years, including:

- Named by *Asiamoney* as one of the "Best Small Companies" and one of the "Overall Best Investor Relations' Companies" in 2003
- "Partner of the Year" from the Hardware Department of the Canadian arm of The Home Depot in 2003

- “Bullseye Award for Excellence” from the Target Corp in 2003
- “Hardware Vendor of the Year” from The Home Depot in October 2002
- “Innovator of the Year” from The Home Depot in October 2002 for TTI’s Ryobi line of products
- “Partners in Progress Award” from Sears for 14 consecutive years since 1988, in recognition of excellence in delivery, product marketability and product quality
- “International Award” from the SCMP/DHL Hong Kong Business Awards 2001

The “International Award” is one of the most prestigious awards received by TTI to date, and represents one of the highest accolades in Hong Kong’s business circles. To achieve this award, TTI had to demonstrate, throughout the five years prior to receiving this award, that TTI penetrated new markets or substantially increased its presence successfully overseas, thereby enhancing Hong Kong’s international corporate reputation.

Dedicated to the progressive implementation of its competitive strategies, TTI has grown significantly since it was first listed on the Hong Kong Stock Exchange in 1990. TTI achieved its 9th consecutive year of double-digit growth, recording a 38.9% increase in turnover from HK\$9,493 million (US\$1,218 million) for the year ended 31 December 2002 to HK\$13,183 million (US\$1,691 million) for the year ended 31 December 2003, with a growth in net profits of 63.2% from HK\$413 million (US\$53 million) to HK\$674 million (US\$86 million). Between 1998 and 2003, TTI grew its turnover at a 39.1% compound annual growth rate (“CAGR”) and increased its net profits at a 38.9% CAGR. TTI has historically generated substantial cash flow, allowing TTI to maintain conservative leverage ratios.

TTI’s solid performance in 2003 was driven by a growth in turnover from the Power Tools and Outdoor Products sectors (over 25% growth versus 2002) and significant turnover acceleration in the Floor Care division (over 92% growth) mainly as a result of the consolidation of financials of Royal, which TTI acquired in April 2003.

*The following tables set forth the summary consolidated financial of the Issuer as at and for the periods indicated. The summary audited consolidated financial information as at and for the years ended 31 December 2001, 2002 and 2003 set forth below are extracted from the previously published Issuer's audited consolidated financial statements as explained in the following paragraph and should be read in conjunction with the previously published audited consolidated financial statements of the Issuer for each of the three years ended 31 December 2001, 2002 and 2003 (including the audited consolidated profit and loss accounts of the Issuer for each of the three years ended 31 December 2001, 2002 and 2003 and the audited consolidated balance sheets of the Issuer as at 31 December 2001, 2002 and 2003) and the notes thereto included elsewhere in this Offering Circular. Certain items in the consolidated financial statements of the Issuer as at and for the years ended 31 December 2001, 2002 and 2003 have been aggregated for the purpose of presentation of the summary financial information in the tables below.*

*The figures for the year ended 31 December 2003 have been extracted from the Issuer's audited financial statements for the year ended 31 December 2003. The figures for the year ended 31 December 2002 have been extracted from the Issuer's audited consolidated financial statements for the year ended 31 December 2003 since the comparatives for the year ended 31 December 2002 have been restated to reflect the changes in accounting policy on adoption of Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants during 2003. The figures for the year ended 31 December 2001 have been extracted from the Issuer's consolidated financial statements for the year ended 31 December 2001. No such restatement to reflect changes in accounting policy on the adoption of SSAP 12 (Revised) has been made for the figures for the year ended 31 December 2001 set out below.*

*The Issuer's consolidated financial statements are prepared and presented in accordance with HKFRS. HKFRS differs in certain respects from IFRS. For a discussion of the differences between HKFRS and IFRS, see "Summary of Certain Differences Between HKFRS and IFRS".*

	(audited)		
	Years ended 31 December		
	2003	2002 <sup>(1)</sup>	2001
	<i>(in thousands of Hong Kong dollars, except per share data)</i>		
Turnover . . . . .	13,182,808	9,492,938	6,101,140
Cost of sales . . . . .	<u>(9,284,759)</u>	<u>(7,025,629)</u>	<u>(4,594,011)</u>
Gross profit . . . . .	3,898,049	2,467,309	1,507,129
Other revenue . . . . .	56,318	69,233	41,396
Selling, distribution, advertising and warranty expenses . . .	(1,574,549)	(1,018,925)	(516,684)
Administrative expenses . . . . .	(1,246,615)	(826,075)	(595,698)
Research and development costs . . . . .	<u>(268,244)</u>	<u>(111,784)</u>	<u>(79,931)</u>
Profit from operations . . . . .	864,959	579,758	356,212
Finance costs . . . . .	<u>(95,731)</u>	<u>(83,978)</u>	<u>(91,000)</u>
Profit before share of results of associates and taxation . . .	769,228	495,780	265,212
Share of results of associates . . . . .	<u>(987)</u>	<u>121</u>	<u>(300)</u>
Profit before taxation . . . . .	768,241	495,901	264,912
Taxation . . . . .	<u>(66,811)</u>	<u>(70,246)</u>	<u>(22,940)</u>
Profit before minority interests . . . . .	701,430	425,655	241,972
Minority interests . . . . .	<u>(27,457)</u>	<u>(12,241)</u>	<u>(3,125)</u>
Profit for the year . . . . .	<u>673,973</u>	<u>413,414</u>	<u>238,847</u>
Dividend Paid . . . . .	<u>113,251</u>	<u>83,755</u>	<u>60,057</u>
Earnings per share			
Basic . . . . .	<u>HK\$1.03</u>	<u>66.0 cents</u>	<u>42.02 cents</u>
Diluted . . . . .	<u>HK\$1.01</u>	<u>66.0 cents</u>	<u>41.83 cents</u>

Note: (1) See second paragraph of page 3 for details.



	2003	2002 <sup>(1)</sup>	2001
	<i>(in thousands of Hong Kong dollars)</i>		
<b>Assets</b>			
Non-current assets			
Property, plant and equipment . . . . .	904,356	846,766	678,629
Goodwill . . . . .	652,760	107,714	83,815
Negative goodwill . . . . .	(33,175)	(37,481)	(26,722)
Intangible assets . . . . .	25,154	12,858	5,759
Interests in associates . . . . .	118,394	117,265	108,366
Investments in securities . . . . .	41,419	55,447	60,530
Deposit for acquisition of a subsidiary . . . . .	—	—	148,200
Deferred tax assets . . . . .	273,937	168,196	21,193
Other assets . . . . .	<u>1,195</u>	<u>1,195</u>	<u>1,195</u>
	<u>1,984,040</u>	<u>1,271,960</u>	<u>1,080,965</u>
Current assets			
Inventories . . . . .	2,491,650	1,592,034	799,975
Trade and other receivables . . . . .	2,197,789	1,213,434	598,361
Deposits and prepayments . . . . .	293,408	197,997	309,448
Bills receivable . . . . .	36,409	261,186	331,431
Investments in securities . . . . .	5,575	7,385	4,899
Tax recoverable . . . . .	51,274	16,858	—
Trade receivable from associates . . . . .	48	6,760	2,511
Pledged bank deposit . . . . .	—	—	27,300
Bank balance, deposits and cash . . . . .	<u>2,586,075</u>	<u>1,855,491</u>	<u>616,739</u>
	<u>7,662,228</u>	<u>5,151,145</u>	<u>2,690,664</u>
Current liabilities			
Trade and other payables . . . . .	2,084,198	1,462,030	1,102,700
Bills payable . . . . .	2,809,963	1,613,634	602,903
Warranty provision . . . . .	208,552	79,315	26,979
Trade payable to an associate . . . . .	3,230	—	—
Tax payable . . . . .	68,114	52,787	12,149
Obligations under finance leases — due within one year . . . . .	5,485	7,336	10,263
Borrowings — due within one year . . . . .	<u>497,975</u>	<u>781,156</u>	<u>217,060</u>
	<u>5,677,517</u>	<u>3,996,258</u>	<u>1,972,054</u>
Net current assets . . . . .	<u>1,984,711</u>	<u>1,154,887</u>	<u>718,610</u>
Total assets less current liabilities . . . . .	<u>3,968,751</u>	<u>2,426,847</u>	<u>1,799,575</u>

Note: (1) See second paragraph of page 3 for details.

	2003	2002 <sup>(1)</sup>	2001
	<i>(in thousands of Hong Kong dollars)</i>		
<b>Capital and Reserves</b>			
Share capital . . . . .	132,497	129,143	114,903
Reserves . . . . .	<u>2,380,387</u>	<u>1,698,794</u>	<u>988,471</u>
	<u>2,512,884</u>	<u>1,827,937</u>	<u>1,103,374</u>
<b>Minority Interests . . . . .</b>	<u>46,374</u>	<u>18,917</u>	<u>9,977</u>
<b>Non-current Liabilities</b>			
Obligations under finance leases — due after one year . . . .	14,261	3,497	8,721
Borrowings — due after one year . . . . .	1,348,497	554,059	675,967
Deferred tax liabilities . . . . .	<u>46,735</u>	<u>22,437</u>	<u>1,536</u>
	<u>1,409,493</u>	<u>579,993</u>	<u>686,224</u>
	<u>3,968,751</u>	<u>2,426,847</u>	<u>1,799,575</u>

*Note:* (1) See second paragraph of page 3 for details.

*Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds".*

Issuer. ....	Techtronic Industries Company Limited
Lead Managers. ....	ABN AMRO Bank N.V. (Hong Kong Branch) and NM Rothschild & Sons (Hong Kong) Limited, each trading as ABN AMRO Rothschild and The Hongkong and Shanghai Banking Corporation Limited
Issue . . . . .	US\$140,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2009, convertible into fully-paid ordinary shares with par value of HK\$0.10 each of the Issuer (the "Bonds").
Issue Price. ....	100 per cent.
Denomination . . . . .	US\$1,000 and integral multiples thereof.
Interest . . . . .	The Bonds do not bear interest.
Closing Date . . . . .	8 July 2004.
Negative Pledge. ....	So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that no Subsidiary (as defined in the Terms and Conditions) creates or permits to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Investment Securities (as defined in the Terms and Conditions) or to secure any guarantee of or indemnity in respect of any Investment Securities unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
Conversion Period for the Bonds . . . . .	From and including 7 August 2004 up to and including the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on 1 July 2009 or, if the Bonds shall have been called for redemption before 8 July 2009, then up to a date no later than seven business days prior to the date fixed for redemption thereof.

as translated into US dollars at the fixed rate of US\$1.00 = HK\$7.7977 (the "Fixed Rate")) which will be subject to adjustment for, amongst other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events.

Cash Settlement Option .....	In lieu of delivery of some or all of the Shares required to be delivered upon the valid exercise of a conversion right, the Issuer may elect to make a cash settlement payment in respect of all or any portion of a holder's Bonds deposited for conversion. See "Terms and Conditions of the Bonds — Conversion — Conversion Procedure — Cash Settlement Option".
Final Redemption .....	Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions, the Bonds will be redeemed on 8 July 2009 at 107.76 per cent. of their principal amount.
Redemption at the Option of the Issuer .....	On or at any time after 8 July 2007 and prior to the Maturity Date (as defined in the Terms and Conditions), the Issuer may redeem from time to time all or (save in the circumstances described in item (b) below, in which case all the Bonds must be redeemed) some only (being US\$1,000,000 in principal amount or integral multiples thereof) of the Bonds at the relevant Early Redemption Amount (as defined in the Terms and Conditions) if (a) the closing price of the Shares (as defined in the Terms and Conditions), converted into US dollars at the Prevailing Rate, for each of 30 consecutive Trading Days, the last of which occurs not more than 5 Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the then prevailing Conversion Price translated into US dollars at the Fixed Rate on the relevant Trading Day or (b) at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.
Tax Redemption .....	The Issuer may redeem all, but not some only, of the Bonds at the Early Redemption Amount in the event of certain changes in Hong Kong taxation. See "Terms and Conditions of the Bonds — Taxation".
Redemption at the Option of the Bondholders .....	On 8 July 2007, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds at 104.59 per cent. of their principal amount. In addition, following the occurrence of a Change of Control or a De-Listing (each as defined in the Terms and Conditions) of the Issuer, the holder of each Bond shall have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds on the Relevant Event Put Date (as defined in the Terms and Conditions) at the Early Redemption Amount.

Global Certificate, which will be registered in the name of a nominee of, and deposited on the Closing Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Governing Law .....

English law

Trustee .....

The Bank of New York

Listing and Trading .....

Application has been made to list the Bonds and the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange.

The Shares are currently, and those Shares to be issued upon conversion of the Bonds will be, listed on the Hong Kong Stock Exchange.

*Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. Additional considerations and uncertainties not presently known to the Issuer or which the Issuer currently deems immaterial, may also have an adverse effect on an investment in the Bonds.*

## **RISKS RELATING TO THE GROUP'S BUSINESS**

### **The Group**

*The Issuer relies on dividends, other distributions on equity and other payments paid by its subsidiaries to fund any cash requirements it may have.*

The Issuer is principally a holding company. The Issuer relies on dividends and other distributions on equity paid by its subsidiaries, its associated companies and its jointly controlled entities and service fees for its cash requirements in excess of any cash raised from investors and retained by it. The Issuer's subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on the Bonds or to provide the Issuer with funds for the Issuer's payment obligations, whether by dividends, distributions, loans or other payments. Any payment of dividends, distributions, loans or advances by the Issuer's subsidiaries will also be contingent upon their earnings and could be subject to contractual restrictions. If any of the Issuer's subsidiaries incurs debt in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to the Issuer.

*The Group relies on key researchers and engineers, senior management and production facility operators, and the loss of the services of any such personnel or the inability to attract and retain them may negatively affect its business.*

The Group's success depends to a significant extent upon the continued service of its research and development and engineering personnel, and on its ability to continue to attract, retain and motivate qualified researchers and engineers, especially during periods of rapid growth. In particular, the Group's focus on leading the market in introducing new products and advanced manufacturing processes has meant that it must aggressively recruit engineers with expertise in cutting-edge technologies.

The Group also depends on the continued services of experienced key senior management in particular its Chairman and Chief Executive Officer, Horst Julius Pudwill and its Managing Director, Roy Chi Ping Chung, and if it loses their services, it would be difficult to find and integrate replacement personnel in a timely manner, or at all.

The loss of the services of any of the Group's research and development and engineering personnel, key senior management or skilled operators without adequate replacement, or the inability to attract new qualified personnel, would have a material adverse effect on the Group's operations.

*A downturn in the business of the Group's key customers could reduce the Group's sales and profitability.*

A relatively small number of key customers, including The Home Depot, Inc. ("The Home Depot") and Sears, Roebuck and Company ("Sears") currently account for a significant portion of the Group's sales revenue. In the aggregate, sales to the Group's top 5 customers accounted for

long term supply contracts in place with certain of these key customers, there are no assurances that these relationships will continue to yield the same level of sales and revenue in the future.

***If the Group is unable to effectively manage seasonal fluctuations in the demand for the Group's products, its business and profitability may be adversely affected.***

The Group has in the past experienced, and the Group expects to continue to experience, seasonal fluctuations in the demand for its products. In particular, the Group generally operates at a higher capacity utilisation level during the third and fourth quarters of the year. If the Group is unable to increase its manufacturing capacity to meet seasonal or additional future demand on a timely basis, its customers may seek other manufacturing sources to meet their needs and its business and profitability may be adversely affected. In addition, if the Group is unable to effectively manage its manufacturing capacity during a seasonal downturn in demand, its results of operations would also be adversely affected.

***The financial condition of the Group may be adversely affected if it cannot introduce new products to adapt to rapidly evolving customer needs and advancements in technology.***

The Group's success will depend greatly on its ability to anticipate and respond to emerging consumer demands on a timely basis. Any delay in the development of commercially successful products with reliable quality and advanced features may adversely affect the Group's business. In addition, advances in technology typically lead to rapid declines in sales volumes for products made with older technologies and may lead to certain products becoming less competitive in the marketplace, or even obsolete.

As a result, the Group is investing large sums in the development and marketing of new products and services. These investments might be made in unproven technologies or for products with no proven markets and may therefore yield limited returns. The Group cannot provide assurance that it will be able to continue to successfully develop new products through its research and development efforts or by obtaining technology licenses or that it will keep pace with technological changes in the marketplace.

***The Group's business depends in part on its ability to obtain and preserve intellectual property rights.***

The Group's ability to compete successfully and achieve future growth will depend, in part, on its ability to protect its proprietary technology. The Group relies on patents, copyrights and trade secret protection rights to protect some of its proprietary technologies and products. The Group cannot ensure that these measures will provide meaningful protection of its intellectual property or commercial advantage. For example, its competitors may be able to use its technologies to develop similar or superior products, and the Group may not have sufficient financial and legal resources to protect and enforce its rights. Currently, in excess of 90% of the Group's patents have been registered in a number of countries including the US, Germany, France, UK and Australia. The Group intends to continue to file patent applications when appropriate to protect its proprietary technologies, but the process of seeking patent protection can be lengthy and expensive. In addition, patents may not be issued for pending or future application. Furthermore, if patents are issued, they may be challenged, invalidated or circumvented. Moreover, the various countries in which the Group markets its products may not protect its intellectual property rights to the same extent as does the US and Europe.

The Group may need to enforce its patents or other intellectual property rights or defend itself against alleged infringement of the rights of others through litigation and other dispute resolution mechanisms, which could result in substantial cost and diversion of the Group's resources. If the Group faces claims and litigation relating to patent infringement or other intellectual property matters, its business could suffer.

Ability to compete successfully also depends, in a large part, on the ability to operate without infringing the proprietary rights of others. The Group may not be aware of the intellectual property rights of competitors or other third parties, or familiar with the laws governing those rights in other countries in which its products are or may be sold. As the number of patents, copyrights and other intellectual property rights in the Group's industry increases, the Group and other companies in its industry will face more frequent intellectual property infringement claims. The Group has, in the past, received notices from competitors or other third parties alleging that processes used in manufacturing its products or providing its services infringe on the intellectual property rights of third parties. Although there are no material pending or threatened intellectual property lawsuits against the Group, it may face litigation or patent infringement claims in the future. If any third party makes a valid claim against the Group, it could be required to:

- discontinue the use of certain processes;
- cease the manufacture, use, import and sale of infringing products;
- pay substantial damages;
- acquire licenses to the technology the Group had allegedly infringed; or
- seek to develop, if feasible, alternative non-infringing technologies.

The Group's business, financial condition and results of operations could be materially and adversely affected by any of these developments.

***Product defects resulting in a large-scale product recall or successful product liability claims against the Group could result in significant costs or negatively impact the Group's reputation.***

The Group is sometimes exposed to warranty and product liability claims with respect to its products. However, the Group has not experienced a significant product recall or large-scale warranty claim. There can be no assurance that the Group will not experience material product liability losses arising from such claims in the future and that these will not have a negative impact on the Group's reputation and, consequently, its sales. The Group generally records warranty provisions in its accounts based on historical defect rates, but there can be no assurance that these warranty provisions will be adequate for liabilities ultimately incurred.

***The Group relies on suppliers for raw materials and may be unable to obtain raw materials in a timely and cost-effective manner.***

The Group must obtain sufficient quantities of raw materials at acceptable prices in a timely manner. The Group sources most of its raw materials from a limited group of suppliers, mostly from the PRC. In addition, the Group purchases its materials on a purchase order basis and has no long-term contracts with any of its suppliers. The Group has occasionally experienced short-term effects due to price fluctuations. If a significant shortage of raw materials were to occur and the Group was to be unable to obtain raw materials from its suppliers in a timely and cost-effective manner, its operating results would be materially adversely affected.



plants could delay increases in its capacity, adversely affecting its operating results. The Group's success depends in part on its ability to meet the rising demand for new innovative products globally. If the Group is unable to obtain new equipment on a timely basis, or if there occur delays or other constraints in the expansion or construction of its manufacturing plants, it may not be able to complete its expansions plans in time, or at all, which may have a material adverse effect on its operating results. The Group is currently in the process of transferring the Royal's "back-end" engineering and manufacturing functions to Asia. The relocation is expected to be completed by end of 2004. In addition, the Group has begun construction of a major new manufacturing and research and development complex close to its existing facilities in southern parts of the PRC. The construction of the first phase is expected to be completed in 2005 and the final completion is expected to be completed in 2007. There may be a chance that the relocation and/or the construction will not complete in a timely manner which may have a negative impact on the Group's operations.

***The Group and its suppliers are vulnerable to natural disasters and other events outside their control, the occurrence of which may seriously harm the Group's business.***

The Group's operations and those of its suppliers in the PRC are particularly vulnerable to earthquakes, floods, typhoons, power losses, and other natural disasters. Disruption of operations due to such natural disasters could cause delays in shipments of the Group's products, which could lead its customers to obtain products from other sources. In addition, as a result of the growth in companies relocating their manufacturing base to the PRC, severe constraints have been placed on the water and electricity supply in the region where most companies are located. Any shortages of water or electricity could have a material and adverse effect on the Group's operations.

***Regulatory, political and economic developments in the PRC may affect the Group's ability to expand its manufacturing operations into the PRC.***

The Group plans to expand its manufacturing operations into the PRC, whether through acquisitions, joint ventures or other arrangements, will expose the Group to a number of additional risks, including unexpected changes in regulatory requirements, potentially adverse tax and regulatory consequences, export and import restrictions and controls, currency exchange restrictions, tariffs and other trade barriers, political instability and fluctuations in currency exchange rates. Any one of these factors could have a material adverse effect on the Group's results of operations.

***Disruptions in the international trading environment may seriously decrease the Group's international sales.***

The sales of the Group are made to overseas customers with a substantial portion of the Group's net sales derived from sales to customers located in the US. As a result, the Group's business will continue to be vulnerable to disruptions in the international trading environment, including adverse changes in foreign government regulations, political unrest, war or escalation of hostilities in the international community and international economic downturns. These disruptions in the international trading environment may affect the demand for their products and change the terms upon which the Group sells their products overseas, which could seriously decrease its revenues.

***The Group is subject to risks associated with the PRC legal system.***

Since 1979, many laws and regulations dealing with general economic matters or particular economic activities have been promulgated in the PRC. However, enforcement of existing laws and regulations may be uncertain and sporadic, and implementation and interpretation thereof may be inconsistent. The PRC judiciary is relatively inexperienced in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC's legal system is based on written statutes and, therefore,

may be subject to policy changes. As the PRC legal system develops, changes in such legislation or interpretation thereof may have an adverse effect on our module assembly operations or future expansion plans.

***The Group could face increasing competition which may adversely affect its market share and profitability.***

TTI's revenue growth has partly been the result of gaining market share from competitors in its key markets, in particular the US. While TTI believes it has several competitive advantages, some of TTI's competitors may over time react to TTI's increasing market share by switching their manufacturing base to lower cost countries, introducing new products, reducing price levels or conducting more aggressive promotions. More intense competition could negatively impact TTI's market share, put pressure on TTI to reduce its price levels or take other actions to maintain its market share, which all could adversely affect TTI's profitability.

## **RISKS RELATING TO THE BONDS**

***If an active trading market for the Bonds does not develop, the price of the Bonds may suffer and may decline below the initial offering price.***

There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's operations and the market for similar securities. The Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Lead Managers. Although an application has been made to have the Bonds listed on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds.

***There may be less publicly available information about the Issuer than is available in certain other jurisdictions and the Issuer's financial statements are prepared and presented in accordance with HKFRS.***

There may be less publicly available information about companies listed in Hong Kong such as the Issuer than is regularly made available by public companies in certain other countries. In addition, the Issuer's financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from IFRS. See "Summary of Certain Differences Between HKFRS and IFRS".

***Conversion of the Bonds will dilute the ownership interest of existing shareholders and could adversely affect the market price of the Shares.***

The conversion of some or all of the Bonds will dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the existence of the Bonds may encourage short selling of the Shares by market participants.

*The following other than the words in italics is the text of the Terms and Conditions (the "Conditions") of the Bonds, which includes summaries of, and is subject to, the more detailed provisions of the Trust Deed referred to below. You are urged to read the Trust Deed in its entirety as it defines your rights and obligations as a holder of the Bonds:*

The issue of the US\$140,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2009 (the "Bonds", which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Techtronic Industries Company Limited (the "Issuer") and the right of conversion into Shares (as defined in Condition 6(A)(vi)) was authorised by a resolution of the Board of Directors of the Issuer passed on 16 June 2004. The Bonds are constituted by a trust deed (the "Trust Deed") to be dated 8 July 2004 and made between the Issuer and The Bank of New York as trustee for the holders of the Bonds (the "Trustee", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed). The Issuer has entered into a paying and conversion agency agreement (the "Agency Agreement") to be dated 8 July 2004 with the Trustee, The Bank of New York as registrar and principal paying, conversion and transfer agent (the "Registrar" or, as the case may be, "Principal Agent") and the other paying, conversion and transfer agents appointed under it (each a "Paying Agent", "Conversion Agent", "Transfer Agent" (references to which shall include the Registrar) and together with the Registrar and the Principal Agent, the "Agents") relating to the Bonds. References to the "Principal Agent", "Registrar" and "Agents" below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection at the registered office of the Trustee being at the date hereof at One Canada Square, 48th Floor, London E14 5AL, United Kingdom and at the specified offices of each of the Agents. The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

## **1. STATUS**

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

## **2. FORM, DENOMINATION AND TITLE**

### **(A) *Form and Denomination***

The Bonds are issued in registered form in the denomination of US\$1,000 each or any integral multiples thereof without coupons attached. A Bond certificate (each a "Certificate") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a Global Certificate and deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream. The Conditions are modified by certain provisions contained in the Global Certificate.*

Title to the Bonds passes only by transfer and registration in the register of Bondholders as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Terms and Conditions "Bondholder" and (in relation to a Bond) "holder" means the person in whose name a Bond is registered.

### **3. TRANSFERS OF BONDS; ISSUE OF CERTIFICATES**

#### **(A) Register**

The Issuer will cause to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds (the "Register"). Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

#### **(B) Transfer**

Subject to the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Agents. No transfer of a Bond will be valid unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

#### **(C) Delivery of New Certificates**

Each new Certificate to be issued upon a transfer of Bonds will, within five business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the form of transfer, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder) to the address specified in the form of transfer.

*Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted, a new Certificate in respect of the Bonds not so transferred or converted will, within five business days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder) to the address of such holder appearing on the Register.

For the purposes of Condition 3 and Condition 6, "business day" shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

#### **(D) Formalities Free of Charge**

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for redemption pursuant to Condition 8(B) and Condition 8(C); (ii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect thereto; or (iii) after a Put Exercise Notice (as defined in Condition 8(D)) has been deposited in respect of such Bond in accordance with Condition 8(D) or 8(E).

**(F) Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who asks for one.

**4. NEGATIVE PLEDGE/MERGERS**

So long as any Bond remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed the Issuer will not create or permit to subsist, and the Issuer will procure that no Subsidiary (as defined in Condition 10) creates or permits to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any Investment Securities unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

For the purposes of this Condition:

"Investment Securities" means any present or future indebtedness in the form of or represented by bonds, debentures, notes or other investment securities with a maturity of not less than one year which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market.

So long as any of the Bonds remain outstanding (as defined in the Trust Deed), the Issuer shall not merge, amalgamate or consolidate with or into any other corporation or entity (if the Issuer is not the continuing entity) or sell or transfer all, or substantially all, of its assets, whether as a single transaction or a number of transactions, related or not, to any corporation, entity or person or to one or more members of any group under the common control of any corporation, entity or person unless:

- (i) the Issuer has notified the holders of the Bonds of such event in accordance with Condition 16;
- (ii) the Issuer and such corporation, entity or person have executed a trust deed supplemental to the Trust Deed, in form and substance satisfactory to the Trustee, and the supplemental trust deed includes the following: (a) the express assumption by such corporation, entity or person of the Issuer's obligations under the Bonds, the Trust Deed and the Agency Agreement, including the covenants contained in this Condition 4 relating to subsequent mergers, amalgamations, consolidations, sales or transfers; (b) provisions for the convertibility of each Bond then outstanding into the class and amount of shares and other securities, cash and other property receivable upon such merger, amalgamation, consolidation, sale or transfer by a holder of the number of Shares into which such Bonds would have been convertible immediately prior to such merger, amalgamation, consolidation, sale or transfer (assuming for such purpose that the Bonds were convertible

adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in Condition 6(C);

- (iii) immediately after giving effect to such merger, amalgamation, consolidation, sale or transfer, no Event of Default shall have occurred or be continuing or would result therefrom; and
- (iv) the corporation or entity formed by such merger, amalgamation or consolidation or that acquired such assets shall expressly agree, among other things, to indemnify each holder of the Bonds against any tax, assessment or government charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such merger, amalgamation, consolidation, sale or transfer with respect to the payment of any amount in connection with the Bonds.

## 5. INTEREST

No interest is payable on the Bonds.

## 6. CONVERSION

### (A) *Conversion Right*

- (i) *Conversion Period:* Subject to the Issuer's right to elect to pay converting Bondholders cash in lieu of Shares under the circumstances set forth in Condition 6(B)(iv), Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the "Conversion Right". Subject to and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, so that the Conversion Date (as defined in Condition 6(B)(i)) in respect of such exercise occurs at any time on and after 7 August 2004 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on 1 July 2009 (but in no event thereafter) or if such Bond shall have been called for redemption under Condition 8(B) or 8(C) before 8 July 2009, then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof (the "Conversion Period").

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date (both as defined below) (translated into US dollars at the Fixed Rate (as defined below)). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof, except that where any individual entitlement would exceed US\$10 (calculated by reference to the Prevailing Rate (as defined in Condition 6(C))) a cash payment shall instead be made by the Issuer in respect of any such fraction determined by reference to the Current Market Price per Share on the Trading Day (as defined in Condition 6(C)) immediately preceding the relevant Conversion Date and the

by transfer to a US dollar account maintained by the holder with, a bank in New York City in accordance with instructions contained in the relevant Conversion Notice.

- (iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the "Conversion Price") will initially be HK\$16.56 per Share (equivalent to US\$2.12, as translated into US dollars at the fixed rate of US\$1.00 = HK\$7.7977 (the "Fixed Rate")) but will be subject to adjustment in the manner provided in Condition 6(C).
- (iv) *Conversion Ratio*: The conversion ratio is equal to the principal amount per Bond of US\$1,000 divided by the then prevailing Conversion Price converted into US dollars at the Fixed Rate, rounded down to four decimal places.
- (v) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (vi) *Meaning of "Shares"*: As used in these Conditions, the expression "Shares" means ordinary shares of par value HK\$0.10 each of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

**(B) *Conversion Procedure***

- (i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of any Conversion Agent a notice of conversion (a "Conversion Notice") in duplicate in the form (for the time being current) obtainable from the specified office of the Conversion Agent, together with the relevant Certificate and any amounts required to be paid by the Bondholder under Condition 6(B)(ii).

The conversion date in respect of a Bond (the "Conversion Date") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(v) above) and will be deemed to be the Trading Day (as defined in Condition 6(C)) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents to such withdrawal.

registration duties arising on conversion (other than any taxes or capital or stamp or issue duties payable in Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange (as relevant) on conversion) (the "Taxes") and such Bondholder must also pay all, if any, taxes which the Bondholder is liable for arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder must provide the relevant Conversion Agent with details of the relevant tax authorities to which the relevant Conversion Agent must pay monies received in settlement of Taxes payable pursuant to this Condition 6(B)(ii). The Conversion Agents are under no obligation to determine whether a Bondholder is liable to pay any Taxes including capital, stamp, issue, registration or similar taxes and duties payable (if any) in connection with this Condition 6(B)(ii).

- (iii) *Registration:* As soon as practicable, and in any event not later than 10 Trading Days (as defined in Condition 6(C)) after the Conversion Date, the Issuer will, subject to Condition 6(B)(iv), in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited as required by sub-paragraphs (i) and (ii), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register and will, if the Bondholder has also requested in the Conversion Notice, take all necessary action to procure that Shares are delivered through the Central Clearing and Settlement System of Hong Kong for so long as the Shares are listed on the Hong Kong Stock Exchange, or it will as soon as practicable and in any event no later than 10 Trading Days (as defined in Condition 6(C)) after the Conversion Date, make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Secretaries Limited) notified to Bondholders in accordance with Condition 16 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof. A single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions referred to in Condition 6(C) and the Trust Deed and the relevant Registration Date (as defined below) falls on a date when the relevant adjustment has not yet been reflected in the then current Conversion Price, the provisions of this sub-paragraph (iii) shall be applied *mutatis mutandis* to such number of Shares as is equal to the excess of the number of Shares which would have been required to be issued on conversion of such Bond if the relevant retroactive adjustment had been given effect as at the said Registration Date over the number of Shares previously issued (or which the Issuer was previously bound to issue) pursuant to such conversion (the "Excess Shares"). If the Issuer has elected to pay the converting Bondholder of the Bond cash in lieu of Shares pursuant to the Cash Settlement Option (as defined below) set forth in Condition 6(B)(iv), the number of Excess Shares shall be determined by assuming that the Issuer had not elected the Cash Settlement Option. In such case, the Issuer may satisfy its obligations under this Condition 6(B)(iii) by paying, as soon as practicable and in any event not later than 7 business days after the



Share for each day during the five Trading Days (as defined in Condition 6(C)) immediately after the Cash Settlement Notice Date multiplied by such number of Excess Shares.

The person or persons specified for that purpose will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "Registration Date"). The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this sub-paragraph (iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will, to the extent it has not elected with respect to such Bond to pay cash in lieu of Shares pursuant to Condition 6(B)(iv), pay to the converting Bondholder or his designee an amount (the "Equivalent Amount") converted, if necessary, into US dollars at the Prevailing Rate (as defined in Condition 6(C)) equal to any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a US dollar cheque drawn on a bank in New York City and sent to the address specified in the relevant Conversion Notice.

- (iv) *Cash Settlement Option*: In lieu of delivery of some or all of the Shares required to be delivered upon the valid exercise of a Conversion Right, the Issuer may elect to make a cash settlement payment (the "Cash Settlement Option") in respect of all or any portion of a Bondholder's Bonds deposited for conversion (being US\$1,000 in principal amount or any integral multiple thereof) pursuant to exercise of a Conversion Right by delivering notice thereof to the tendering Bondholder not more than five Trading Days after the Conversion Date (the "Cash Settlement Notice Date"). The Issuer shall pay the Cash Settlement Amount in US dollars as promptly as practicable (but in no event later than 5 business days) after completion of the five Trading Day period used to determine the Cash Settlement Amount. The Cash Settlement Amount shall be paid by means of a US dollar cheque drawn on a bank in New York and sent to the address specified in the relevant Conversion Notice. If the Issuer elects the Cash Settlement Option for more than one Bond of the same Bondholder, the Cash Settlement Amount shall be calculated on the basis of the aggregate principal amount of Bonds for which the Issuer elects such Cash Settlement Option.

"Cash Settlement Amount" means the product of (i) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option and (ii) the Volume Weighted Average Price (as defined below) per Share for each day during the five Trading Days (as defined in Condition 6(C)) immediately after the Cash Settlement Notice Date.

"Volume Weighted Average Price" means, in relation to a Share on any Trading Day, the order book volume-weighted average price of a Share appearing on or derived from Bloomberg screen 669 HK-Equity VAP or such other source as shall be determined to be appropriate by a leading independent investment bank of international repute (selected by the Issuer and approved by the Trustee) (acting as expert) converted into US dollars at the Prevailing Rate (as defined in Condition 6(C)) on such Trading Day, provided that on any

provided above, the Volume Weighted Average Price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined.

(C) *Adjustments to Conversion Price*

The Conversion Price will be subject to adjustment in the following events as set out in the Trust Deed:

- (i) *Consolidation, Subdivision or Reclassification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (ii) *Capitalisation of Profits or Reserves:*

- (a) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (the "Shareholders") by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the "Relevant Cash Dividend"), being a dividend which the Shareholders concerned would or could otherwise have received (a "Scrip Dividend") and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

of such Shares exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which does not constitute a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend,

or by making such other adjustment as a leading independent investment bank of international repute (acting as expert), selected by the Issuer and approved in writing by the Trustee, shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(iii) *Capital Distribution:* If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except where the Conversion Price falls to be adjusted under Condition 6(C)(ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (v) *Rights Issues of Other Securities:* If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase any Shares) to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (vi) *Issues at less than Current Market Price:* If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(iv) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, or purchase of, Shares) or shall issue or grant (otherwise as mentioned in Condition 6(C)(iv) above) any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares (including, for the avoidance of doubt, any Shares issued for non-cash consideration), in each case at a price

Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for such additional Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights would purchase at such Current Market Price per Share; and C is the maximum number of additional Shares issued or the maximum number of Shares that may be issued upon exercise of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

- (vii) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(vii), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(iv), 6(C)(v) or 6(C)(vi) above), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries), any other company, person or entity (otherwise than as mentioned in Conditions 6(C)(iv), 6(C)(v) or 6(C)(vi) above) shall issue to all or substantially all Shareholders as a class wholly for cash any securities (other than the Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or purchase of, or to otherwise acquire, Shares issued or to be issued by the Issuer (or shall grant any such rights in respect of existing securities so issued) or securities which by their terms might be redesignated as Shares, and the consideration per Share receivable upon conversion, exchange, subscription, purchase, acquisition or redesignation is less than 95 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of announcement of the terms of issue of such securities (or the terms of the grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into, or rights of exchange or

Shares so issued);

- B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or on exercise of the right of subscription or purchase or acquisition attached to such securities or, as the case may be, for the Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued or otherwise made available upon conversion or exchange of such securities or on the exercise of such rights of subscription or purchase or acquisition attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Shares to be issued or to arise or be made available from any such redesignation.

(viii) *Modification of Rights of Conversion etc.*: If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in Condition 6(C)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for or purchase or acquisition of, Shares which have been issued by the Issuer for the purposes of, or in connection with, such issue, less the number of such Shares so issued);
- B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription or purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange, subscription or purchase price of such securities; and
- C is the maximum number of Shares to be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange or subscription or purchase price or rate but giving credit in such manner as a leading independent investment bank of international repute (acting as expert), selected by the Issuer and approved in writing by the Trustee, consider appropriate (if at all) for any previous adjustment under this Condition 6(C)(viii) or Condition 6(C)(vii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with which an offer to which the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(iv), 6(C)(v), 6(C)(vi) or 6(C)(vii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

- (x) *Other Events:* If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6 even if the relevant event or circumstance is specifically excluded from the operation of this Condition 6(C), the Issuer shall, at its own expense, request a leading independent investment bank of international repute (acting as expert), selected by the Issuer and approved by the Trustee, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by such investment bank such adjustment (if any) (and provided that such adjustment would result in a reduction of the Conversion Price) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6(C) as may be advised by the independent investment bank to be in their opinion appropriate to give the intended result.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to the Bondholders for any loss arising from any failure by it to do so.

For the purposes of these Conditions:

“Alternative Stock Exchange” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

- (a) any distribution of assets in specie charged or provided or to be provided for in the accounts of the Issuer for any financial period (whenever paid or made and however described) but excluding a distribution of assets in specie in lieu of, and to a value not exceeding, a cash dividend which would not have constituted an Extraordinary Dividend under (b) below (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid-up (other than Shares credited as fully paid) by way of capitalisation of reserves); and/or
- (b) any cash dividend or distribution of any kind charged or provided for or to be provided for in the accounts of the Issuer (whenever paid or made and howsoever described) in circumstances where the Total Current Dividend equals or exceeds (i), on a per Share basis, 3 per cent. of the Average Closing Price of one Share during the Relevant Period (for the avoidance of doubt only the excess over 3 per cent. shall be treated as a Capital Distribution), or (ii) 30 per cent. of the Issuer's consolidated net profits attributable to shareholders after deducting minority interests and tax for the fiscal year in relation to which the cash dividend or distribution is made, in each case the excess constituting the "Extraordinary Dividend" (and in the case of both (i) and (ii) being exceeded at the same time by virtue of the same event the greater excess shall constitute the Extraordinary Dividend); for which purposes "Total Current Dividend" means any and all cash dividends or other distributions charged or provided for in the accounts of the Issuer, prior to the deduction of any withholding tax and any corporate tax attributable to that dividend, in the period starting from the beginning of the fiscal year in which the record date set for the dividend that may result in an adjustment falls and ending on and including that record date (including the dividend that may result in an adjustment), other than any dividend or portion thereof which previously resulted in an adjustment under this Condition 6(C).

A purchase or redemption of share capital by the Issuer shall not constitute a Capital Distribution or be taken into account in determining whether any other dividend or distribution shall constitute a Capital Distribution unless in the case of purchases of Shares by the Issuer, the average price per Share (before expenses) on any one day in respect of such purchases exceeds by more than 5 per cent. the Current Market Price per Share either (i) on that date; or (ii) where an announcement has been made (excluding for the avoidance of doubt, any general authority given by shareholders in general meeting of the Issuer or any notice convening such meeting) of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Capital Distribution in the amount of the aggregate price paid (before expenses) in respect of such Shares purchased by the Issuer.

"Average Closing Price" is the arithmetic average of the Closing Price per Share for each Trading Day during the Relevant Period.

"Closing Price" for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

"Current Market Price" means, in respect of a Share at a particular date, the average of the closing prices published in the Daily Quotation Sheet or the equivalent quotation sheet of an Alternative Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such



quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend or other entitlements in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend or cum-any other entitlements shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend or other entitlement per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend or other entitlements in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend or ex-any other entitlements shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of that dividend or other entitlement per Share;

and provided further that if the Shares on each of the said five Trading Days have been quoted cum-dividend or cum-any other entitlements in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend or other entitlements, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend or other entitlement per Share.

“Fair Market Value” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by a leading independent investment bank of international repute (acting as expert) selected by the Issuer and approved in writing by the Trustee; provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

“Prevailing Rate” means a rate for exchanging US dollars and Hong Kong dollars; the “Prevailing Rate” applicable to any date shall be the bid rate for such exchange shown on the Reuters page “HKD=” at or about 11.00 a.m. (Hong Kong time) on that date; if no such rate appears on the Reuters page “HKD=”, The Hongkong and Shanghai Banking Corporation Limited’s rate at such time (or the rate of such other bank as is selected by the Issuer and approved by the Trustee at such time) shall be used instead.

“Relevant Stock Exchange” means, at any time, in respect of the Shares, the Hong Kong Stock Exchange or the Alternative Stock Exchange.

“Relevant Period” means the period beginning on the 30th Trading Day prior to, and ending on, the Trading Day immediately preceding the date of declaration of a dividend or a distribution in respect of a relevant financial year, which when aggregated with any other dividends or distributions declared or made in respect of that financial year, causes an adjustment to the Conversion Price pursuant to Condition 6(C)(iii).

reported in respect of the relevant Shares on the Hong Kong Stock Exchange or, as the case may be the Alternative Stock Exchange, for one or more consecutive Trading Days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of Trading Days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 16 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced below the par value of the Shares.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of a leading independent investment bank of international repute (acting as expert) selected by the Issuer and approved in writing by the Trustee, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such investment bank to be in their opinion appropriate in order to give such intended result.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Issuer or any Subsidiary of the Issuer or such other eligible participants pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the listing rules of the Hong Kong Stock Exchange or, if applicable, those of an Alternative Stock Exchange).

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, a certificate or report of a leading investment bank of international repute, (acting as expert) selected by the Issuer and approved in writing by the Trustee, shall in the absence of manifest error be conclusive and binding on all parties.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(i) above.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

#### **(D) *Undertakings***

The Issuer has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) it will use all reasonable efforts (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange and (c) if the Issuer is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock

determine and will forthwith give notice to the Bondholders in accordance with Condition 16 below of the listing or delisting of the Shares (as a class) by any of such stock exchanges; and

- (ii) it will pay the expenses of the issue of, and all expenses of obtaining and maintaining a listing for, Shares arising on conversion of the Bonds.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

**(E) *Notice of Change in Conversion Price***

The Issuer shall give notice to the Bondholders in accordance with Condition 16 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

**7. PAYMENTS**

**(A) *Principal and premium***

Payment of principal and premium (if any) will be made in US dollars, only against surrender of the relevant Certificate at the specified office of any of the Paying Agents, by electronic funds transfer to the registered account of the Bondholder or by means of a US dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder if it does not have a registered account.

**(B) *Registered Accounts***

For the purposes of this Condition, a Bondholder's registered account means the US dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

**(C) *Fiscal Laws***

All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

**(D) *Payment Initiation***

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 4 per cent. per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

**(F) *Business Day***

In this Condition only, "business day" means a day other than a Saturday or Sunday or public holiday on which commercial banks are open for business in New York City, London and Hong Kong and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

**8. REDEMPTION, PURCHASE AND CANCELLATION**

**(A) *Maturity***

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond on 8 July 2009 (the "Maturity Date") at 107.76 per cent. of its principal amount. The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) (but without prejudice to Condition 10).

**(B) *Redemption at the Option of the Issuer***

On or at any time after 8 July 2007 (in the case of (i) below) and at any time (in the case of (ii) below) and (in either case) prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders (in accordance with Condition 16), the Trustee and the Principal Agent (which notice will be irrevocable), redeem all or (save in the circumstances, described in sub-paragraph (ii) below, in which case all the Bonds must be redeemed) from time to time some only (being US\$1,000,000 in principal amount or an integral multiple thereof) of the Bonds at the relevant Early Redemption Amount (as defined in Condition 8(F) below), provided, however, that no such redemption may be made unless either:

- (i) the closing price of the Shares (as derived from the Daily Quotation Sheet or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) (the "Closing Price"), converted into US dollars at the Prevailing Rate, for each of 30 consecutive Trading Days, the last of which occurs not more than 5 Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the then prevailing Conversion Price translated into US dollars at the Fixed Rate on the relevant Trading Day; or
- (ii) at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

calculating the Closing Price for such days. If no price as aforesaid is reported on the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange for one or more consecutive Trading Days, such day or days will be disregarded in the relevant calculation and will be deemed not to have existed when ascertaining such 30 Trading Day period.

In the case of a partial redemption of Bonds, the Bonds to be redeemed will be selected individually by lot, or such other method in such place as the Trustee shall approve in writing and in such manner as the Trustee shall deem to be appropriate and fair when the Bonds are in definitive form (and in accordance with the rules of the relevant clearing systems when the Bonds are represented by the Global Certificate), not more than 60 and not less than 30 days prior to the date fixed for redemption and the redemption date, the identifying numbers of the Bonds drawn for redemption, the Conversion Price and the Early Redemption Amount will be notified by the Issuer to the Bondholders, in accordance with Condition 16 not less than 30 days prior to such date.

Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds to which such notice relates at the price aforesaid applicable at the date fixed for such redemption.

**(C) *Redemption for Taxation Reasons***

The Bonds may be redeemed in whole but not in part at their Early Redemption Amount at the date fixed for redemption at the option of the Issuer, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition 16 (which notice shall be irrevocable) if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay any additional amounts in respect of any payment of principal, premium (if any) made by the Issuer under or in respect of the Trust Deed or Bonds as provided or referred to in Condition 9 as a result of any change in or amendment to the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 16 June 2004 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (but provided that such measures do not involve the Issuer incurring material expenses), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amount were a payment then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (x) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures (not involving the Issuer incurring material expenses) available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the Bondholders; and (y) an opinion of independent legal or tax advisors of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at their Early Redemption Amount on the date fixed for redemption.

**(D) *Redemption for Change of Control/De-Listing***

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holders' Bonds on the Relevant Event Put Date (as defined below) at the Early Redemption Amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying

with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "Relevant Event Put Date" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred.

The Issuer shall give notice to Bondholders in accordance with Condition 16 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D).

For the purposes of this Condition 8:

a "Change of Control" occurs when:

- (i) any person or persons (other than one or more of the Existing Major Shareholders) acting together acquires directly or indirectly a percentage of the voting rights of the issued share capital of the Issuer that exceeds such percentage then held by the Existing Major Shareholders collectively; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Issuer or the successor entity;

a "De-Listing" occurs when the Shares cease to be listed on the Hong Kong Stock Exchange or an Alternative Stock Exchange that has been approved by the Trustee (but for the avoidance of doubt, any temporary suspension of trading shall not be treated as cessation of listing, or as being not admitted to trading);

"Existing Major Shareholders" means each of Horst Julius Pudwill and Roy Chi Ping Chung and/or any of their respective associates (as defined in the Listing Rules) and/or any trusts established for the benefit of them and/or their immediate family members ("related trusts") and/or companies controlled by them, their immediate family members or related trusts and such companies' direct or indirect subsidiaries;

"control" means, in relation to an entity, the acquisition or holding of more than 50 per cent. of the voting rights of the issued share capital of the relevant company or the right to appoint and/or remove all or the majority of the members of the relevant company's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a "person" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries;

"Relevant Event" occurs when there has been a Change of Control in the Issuer or a De-Listing of the Issuer.

On 8 July 2007 (the "Put Option Date"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds held by such Bondholder on the Put Option Date at 104.59 per cent. of their principal amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed Put Exercise Notice in duplicate together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal in writing) and the Issuer will be bound to redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid in accordance with this Condition 8(E) on the Put Option Date. For the avoidance of doubt, such put option may not be exercised at any time after the Put Option Date.

**(F) *Early Redemption Amount***

For the purposes of these Conditions, the "Early Redemption Amount" of each Bond means its principal amount plus a premium rounded up to the nearest US cent, determined in accordance with the following formula:

$$\text{premium} = \text{US\$1,000} \times 7.758\% \times A/1800$$

where A is the actual number of days calculated on a 360 day basis of 12 months of 30 days each from, and including, 8 July 2004 to, but excluding, the date on which the Bonds are redeemed, or as the case may be, became due and payable in accordance with Condition 10.

References in these Conditions and in the Trust Deed to principal in respect of any Bond, shall, where the context so permits, be deemed to include reference to any premium payable thereon.

**(G) *Purchases***

The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

**(H) *Cancellation All***

Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

**(I) *Redemption Notices***

All redemption notices given to Bondholders by or on behalf of the Issuer pursuant to this Condition 8 will specify (i) the redemption price, (ii) the Conversion Price as the date of the relevant notice, (iii) the closing price (if any) of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the relevant notice, (v) the date fixed for redemption, (vi) that on the date fixed for redemption, the redemption price of any Bond to be redeemed will become due and payable and will be paid on and after such date, (vii) the place where Certificates are to be surrendered and (viii) in the case of redemption pursuant to Condition 8(B), the remaining principal amount of Bonds outstanding after such redemption.

All payments made by the Issuer under or in respect of the Trust Deed or the Bonds will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or
- (ii) (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days; or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive (a "Directive") implementing the conclusions of the ECOFIN Council Meeting of 26-27 November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union (the "EU").

The Issuer has undertaken in the Trust Deed that, if the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 is brought into force, it will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

For the purposes hereof, "relevant date" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

References in these Conditions to principal shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.



The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to being indemnified and/or secured by or on behalf of the Bondholders to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and payable at their Early Redemption Amount calculated on the date that the Bonds are declared due and payable and determined in accordance with Condition 8(F) (subject as provided below and without prejudice to the right of the Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6), if:

- (a) the Issuer fails to pay the principal of or premium (if any) on any of the Bonds within 2 days from the due date for payment; or
- (b) the Issuer fails to give effect to a Conversion Right which has been exercised by a Bondholder in accordance with the terms of these Conditions and such failure continues for a period of 15 days; or
- (c) the Issuer defaults in the performance or observance of, or compliance with, any of its obligations set out in the Bonds or the Trust Deed other than any obligation to pay the principal of or premium (if any) on any of the Bonds or to give effect to the Conversion Rights, and (except where the Trustee notifies in writing to the Issuer that such default is not capable of remedy, when no such notice or grace period as mentioned below shall be required) such default continues for a period of 21 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (d) any other bonds, notes, debentures, loan stock or other indebtedness for borrowed money (hereinafter call "Indebtedness") of the Issuer or any Principal Subsidiary (as defined below) of the Issuer shall become payable prior to its or their stated maturity following an event of default howsoever described, or any security given by the Issuer or any Principal Subsidiary of the Issuer in respect of any Indebtedness becomes due or enforceable or any Indebtedness is not paid when due, provided that the aggregate principal amount of Indebtedness in respect of which any one or more of the events set out in this paragraph (d) shall have occurred is at least US\$10,000,000 (or its equivalent in any other currencies); or
- (e) the Issuer or any Principal Subsidiary of the Issuer is or becomes insolvent or bankrupt or unable to pay its debts as they fall due or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or by reason of actual financial difficulties commences negotiations with its creditors generally with a view to rescheduling any or all of its debts or proceedings for any of the foregoing are initiated and are not discharged or stayed within a period of 30 days; or
- (f) an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any Principal Subsidiary of the Issuer or the Issuer or any Principal Subsidiary of the Issuer ceases or threatens to cease to carry on all or substantially all of its business or the Issuer or any Principal Subsidiary of the Issuer stops or threatens to stop payment (within, if applicable, the meaning of the bankruptcy or insolvency law of any appropriate jurisdiction) of all or substantially all of its debts or applies for or consents to or suffers the appointment of an administrator, liquidator or receiver over the whole or a material part of the undertaking, property, assets or revenues of the Issuer or any Principal Subsidiary of the Issuer, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation
  - (i) on terms approved by an Extraordinary Resolution of the Bondholders or
  - (ii) in the case of a Principal Subsidiary of the Issuer, whereby the undertaking and assets of such Principal

Subsidiary of the Issuer or by way of a voluntary winding-up or dissolution where there are surplus assets in such Principal Subsidiary and such surplus assets attributable to the Issuer and/or any other Subsidiary of the Issuer are distributed to the Issuer and/or any such other Subsidiary of the Issuer; or

- (g) (subject to equivalent grace periods) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) or (f) or above; or
- (h) it is or becomes unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (i) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Issuer or any of the Principal Subsidiaries (as the case may be) of the Issuer and is not discharged within 30 days; or
- (j) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation on nationalisation of all or a material part of the assets of the Issuer or any of the Principal Subsidiaries of the Issuer; or
- (k) an action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done by the Issuer or the its Subsidiaries in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong or the United Kingdom is not taken, fulfilled or done,

provided that in the case of any event other than those described in paragraphs (a), (b) or (h) above, or to the extent that it applies to the Issuer, paragraphs (e) or (f) (or paragraph (g) above as it relates to any of paragraphs (e) or (f) above), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders provided that if the Trustee is unable in its sole discretion to determine whether an event is materially prejudicial to the interests of the Bondholders, it may call for and rely on a resolution of the Bondholders as to whether such event is materially prejudicial to the interests of the Bondholders and further provided that it shall not be bound to make any declaration unless it shall have been indemnified and/or secured to its satisfaction. For the avoidance of doubt, Conversion Rights granted to Bondholders shall survive the occurrence of an Event of Default.

For the purpose of these Conditions:

For this purpose "Principal Subsidiary" means any Subsidiary:

- (i) whose revenues or (in the case of a Subsidiary which itself has Subsidiaries), consolidated revenues, are at least 10 per cent. of the consolidated revenues of the Issuer and its Subsidiaries; or
- (ii) whose gross assets, or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, exceed 10 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries; or

consolidated profits before taxation and extraordinary items of the Issuer and its Subsidiaries; or

- (iv) to which is transferred the whole, or substantially the whole, of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary of the Issuer;

in each case as based on the then latest audited accounts (consolidated where appropriate) of the relevant Subsidiary and the then most recent audited consolidated accounts of the Issuer, provided that, in relation to paragraphs (i) to (iii) above:

- (I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (II) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer and reviewed by the Auditors (as defined in the Trust Deed) for the purposes of preparing a certificate thereon to the Trustee;
- (III) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer and reviewed by the Auditors (as defined in the Trust Deed) for the purposes of preparing a certificate thereon to the Trustee; and
- (IV) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (I) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary of the Issuer shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or

in relation to (iv) above, provided that the Principal Subsidiary of the Issuer which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary of the Issuer and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary of the Issuer at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, unless such Subsidiary would continue to be a Principal Subsidiary of the Issuer on the basis of such accounts by virtue of the provisions of paragraph (i), (ii) or (iii) above.

In addition, any Subsidiary which is not itself a Principal Subsidiary of the Issuer shall nevertheless be treated as a Principal Subsidiary of the Issuer for the purposes of sub-paragraphs (d) to (g) of this Condition if the revenues, profits or gross assets attributable to such Subsidiary when aggregated with the revenues, profits or gross assets attributable to any other Subsidiary which is not itself a Principal Subsidiary of the Issuer and with respect to which any of the events referred to in paragraphs (d) to (g) of this Condition (disregarding the necessity for any opinion,

revenues, consolidated gross assets or consolidated profits before taxation and extraordinary items of the Issuer and its Subsidiaries attributable to holders of Shares.

A report by the Auditors of the Issuer that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer shall, in the absence of manifest error, be conclusive and binding on all parties.

“Subsidiary” means, in relation to any person, any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or regulations or generally accepted accounting principles in Hong Kong from time to time, should have its accounts consolidated with those of that person; provided that “Subsidiary” shall not include any company established for the sole purpose of a securitisation, secured limited recourse financing or project finance transaction originated by the Issuer or a Subsidiary of the Issuer in respect of which there is no recourse to the Issuer or any Subsidiary of the Issuer.

## **11. PRESCRIPTION**

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal and premium) and five years (in the case of default interest)(if any) from the relevant date (as defined in Condition 10) in respect thereof.

## **12. ENFORCEMENT**

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

## **13. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

### **(A) Meetings**

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium or Equivalent Amount or the rate of interest payable in respect of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify or cancel the Conversion Rights or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or

at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

**(B) *Modification and Waiver***

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 13(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 16.

**(C) *Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds.

**(D) *Interests of Bondholders***

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

*In the event of the passing of an Extraordinary Resolution in accordance with Condition 13(A) or a substitution in accordance with Condition 13(C), the Issuer will procure that (i) the Bondholders shall be notified in accordance with Condition 16; (ii) the Hong Kong Stock Exchange shall be notified; and (iii) all relevant requirements of the Hong Kong Stock Exchange shall be complied with (including the preparation of any supplemental listing particulars, if necessary).*

**14. REPLACEMENT OF CERTIFICATES**

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (except for the issue date, issue price and to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

## **16. NOTICES**

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or, published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and, so long as the Bonds are listed on the Hong Kong Stock Exchange and the rules so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be the *South China Morning Post*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

## **17. AGENTS**

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (a) a Principal Agent, (b) a Registrar which will maintain the register of Bondholders outside Hong Kong and the United Kingdom and (c) a Paying Agent (which may be the Principal Agent) with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings income implementing the provisions of the ECOFIN Council Meeting of 26th -27th November 2000 or any law implementing or complying with, or introduced in order to conform, to such Directive. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 45 days' notice will be given. The Agents shall act solely as agents of the Issuer and will not thereby assume any obligation towards or relationship of agency or trust to the Bondholders.

## **18. INDEMNIFICATION**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer.

Any certificate or report of the auditors, accountants or advisers of the Issuer or of any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions may be relied upon by the Trustee as sufficient and conclusive evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of such persons in respect thereof.

The US dollar is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds including damages. Any amount received or recovered in a currency other than US dollars (whether as a result of, or as a result of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer or otherwise) by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer under or in connection with the Bonds will only constitute a discharge to the Issuer to the extent of the US dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that US dollar amount is less than the US dollar amount expressed to be due to the recipient under any Bond or the Trust Deed, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase.

For the purpose of this Condition, it will be sufficient for the Trustee or the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or other.

## **20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999.

## **21. GOVERNING LAW**

The Bonds, the Trust Deed and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds, the Issuer has in the Trust Deed irrevocably submitted to the courts of England and in relation thereto has appointed Ryobi Technologies (UK) Ltd. at Anvil House, Tuns Lane, Henley-on-Thames, Oxfordshire RG9 1SA, as its agent for service of process in England.

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the "Conditions" or the "Terms & Conditions") set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

### **Meetings**

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

### **Cancellation**

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

### **Trustee's Powers**

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

### **Conversion**

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

### **Payment**

Payments of principal, interest and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.



So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

### **Bondholder's Redemption**

The Bondholder's redemption option in Condition 8(D) and 8(E) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in those Conditions.

### **Registration of Title**

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

### **Transfers**

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

### **Enforcement**

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which the Global Certificate is issued shall be recognised as the beneficiaries of the trust set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of Bonds in such principal amounts.

The net proceeds from the issue of the Bonds (after deduction of commission and expenses) are approximately US\$137,550,000 (approximately HK\$1,072,078,455) and are presently intended to be used by the Issuer as to 50% for general corporate requirements and as to 50% for working capital purposes including financing possible acquisitions should suitable opportunities arise in the future. The Issuer has not entered into any agreement in relation to any such possible acquisitions nor has the Issuer committed itself to any exclusive negotiations with any third party which will lead to the conclusion of such agreement up to the date of this Offering Circular.

## Capitalisation and Indebtedness of the Group

As at 31 December 2003, the authorised share capital of the Issuer was HK\$160,000,000 divided into 800,000,000 ordinary shares of HK\$0.20 par value each and its issued share capital was HK\$132,497,365 consisting of 662,486,826 ordinary shares of HK\$0.20 par value each.

On 28 May 2004, ordinary resolutions were passed by the shareholders of the Issuer to approve (i) the increase (the "Increase") in the authorised share capital of the Issuer to HK\$240,000,000; and (ii) the subdivision (the "Subdivision") of each and every issued and unissued share of HK\$0.20 in the authorised share capital of the Issuer into two ordinary shares of HK\$0.10 each. The Increase and the Subdivision became effective on 28 and 31 May 2004 respectively.

Upon the Increase and the Subdivision becoming effective, the authorised share capital of the Issuer was HK\$240,000,000 divided into 2,400,000,000 ordinary shares of HK\$0.10 each and as at 28 May 2004, its issued share capital was HK\$133,096,365.20 consisting of 665,481,826 ordinary shares of HK\$0.20 par value (or 1,330,963,652 ordinary shares of HK\$0.10 par value upon the Subdivision becoming effective on 31 May 2004).

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2003 and as adjusted as at 31 December 2003 to give effect to the issue of the Bonds:

	The Group		
	As at	As adjusted as at	
	31 December 2003	31 December 2003	
	(in HK\$ million)	(in HK\$ million)	(in US\$ million)
<b>Short-term borrowings</b>			
Secured . . . . .	6	6	1
Unsecured . . . . .	492	492	63
Total short-term borrowings . . . . .	498	498	64
<b>Long-term borrowings</b>			
Unsecured . . . . .	1,348	1,348	173
The Bonds to be issued . . . . .	—	1,092	140
Total long-term borrowings . . . . .	1,348	2,440	313
<b>Shareholders' equity</b>			
Share capital . . . . .	132	132	17
Reserves . . . . .	2,380	2,380	305
Shareholders' funds . . . . .	2,512	2,512	322
<b>Minority interests</b> . . . . .	46	46	6
<b>Total capitalisation</b> <sup>(1)</sup> . . . . .	3,906	4,998	641
<b>Total short-term borrowings and capitalisation</b> . . . . .	4,404	5,496	705

Note:

(1) Total capitalisation represents the sum of long-term borrowings, minority interests and shareholders' funds.

Assuming full conversion of the Bonds at the initial Conversion Price of HK\$16.56 per share at the Fixed Rate (as defined in the Terms and Conditions of the Bonds), the Bonds will be convertible into approximately 65,922,584 shares at a par value of HK\$0.10 each.

There has been no material change in the capitalisation of the Group since 31 December 2003.

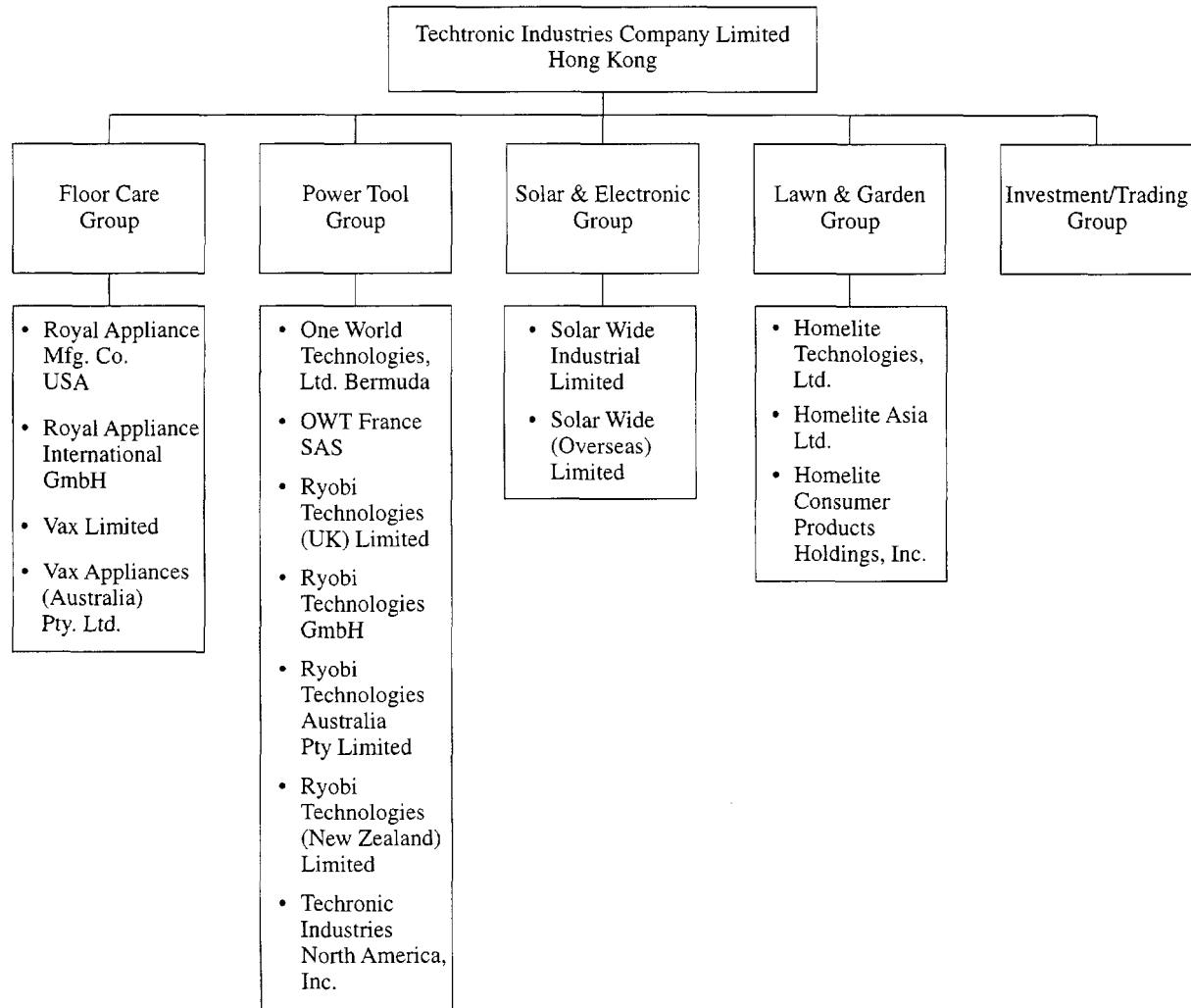
## Overview

Founded in 1985, TTI is a world-leading manufacturer of innovative home improvement power tools and outdoor products, floor care appliances and electronic measuring products. TTI manufactures and sells its products under its own internationally recognised leading brands, namely:

- Ryobi® - power tools and outdoor power products
- Homelite® - outdoor lawn and garden power products
- VAX® - floor care appliances
- Regina® - floor care appliances
- Royal® - floor care appliances
- Dirt Devil® - floor care appliances

TTI also manufactures products on a private label basis to reputable innovative brand name customers such as Sears' Craftsman® and RIDGID® series.

TTI initially began as an OEM for some of the best-known names in the power tool industry such as Ryobi, Bosch and Sears. TTI subsequently expanded its capabilities into product design and development to become an ODM and further evolved into an OBM when it acquired Ryobi's North American power tool products business in August 2000. TTI made further steps towards its vision of becoming a global OBM when it acquired Ryobi's power tool products business in Europe, Australia and New Zealand in August 2001 and February 2002, respectively. In November 2001, TTI expanded into the consumer outdoor products business with the acquisition of Homelite. It recently further expanded its outdoor products business by acquiring Ryobi's outdoor products brand licence in North America in January 2004. TTI is now the exclusive holder of the Ryobi brand licence for both power tools, floor care and outdoor power equipment in North America, Europe, Australia and New Zealand. TTI entered the floor care business by acquiring VAX in September 1999. It subsequently expanded its floor care business with the acquisition of the Regina brand in early 2003 and Royal in April 2003. The Royal acquisition brought into the TTI floor care portfolio the Dirt Devil and Royal brands.



*Note:*

(1) For a detailed summary of the principal subsidiaries of the Group, please refer to "Operating Subsidiaries" on page 60.

Headquartered in Hong Kong, TTI's principal manufacturing plants are located in the PRC with additional production facilities in North America. In-house research and marketing centers are located in Hong Kong, the US, the UK, Germany and other countries. TTI currently employs more than 16,000 people world-wide. TTI has been listed on the Hong Kong Stock Exchange since 1990. As of 2 July 2004, TTI had a market capitalization of US\$2,152,224,366 based on 1,336,625,652 Shares.

TTI has received various awards and accolades from its customers and the Hong Kong business community over the past few years, including:

- Named by *Asiamoney* as one of the "Best Small Companies" and one of the "Overall Best Investor Relations' Companies" in 2003
- "Partner of the Year" from the Hardware Department of the Canadian arm of The Home Depot, Inc. ("The Home Depot") in 2003
- "Partner of the Year" from the Hardware Department of the US arm of The Home Depot in 2003
- "Bullseye Award for Excellence" from the Target Corp in 2003

- “Innovator of the Year” from The Home Depot in October 2002 for TTI’s Ryobi line of products
- “Partners in Progress Award” from Sears for 14 consecutive years since 1988, in recognition of excellence in delivery, product marketability and product quality
- “International Award” from the SCMP/DHL Hong Kong Business Awards 2001

The “International Award” is one of the most prestigious awards received by TTI to date, and represents one of the highest accolades in Hong Kong’s business circles. To achieve this award, TTI had to demonstrate, throughout the five years prior to receiving this award, that TTI penetrated new markets or substantially increased its presence successfully overseas, thereby enhancing Hong Kong’s international corporate reputation.

## Competitive Strengths

TTI believes that its principal competitive strengths are its:

- ***Low-cost, high quality and flexible production in the PRC.*** TTI is one of the lowest-cost manufacturers of power tools in the world and the largest OEM for power tools in Asia, with more than 90% of production based in Dongguan, PRC. TTI continues to manage costs by sourcing components and materials from its Asian suppliers for manufacture and assembly at its facilities in the PRC. Compared with manufacturers based in North America, Europe and Japan, TTI enjoys a significant cost advantage as, whilst the production process is relatively labour-intensive, labour costs in the PRC are low and TTI is able to make use of temporary labour to satisfy seasonal fluctuations in the demand for its products. TTI stands out even against competitors who also manufacture in the PRC or other low cost countries with its economies of scale, depth of engineering and design capability and a flexible production process. Leveraging its low-cost production in the PRC, TTI has been able to position its Ryobi brand power tools and Homelite brand outdoor equipment with attractive prices relative to key competitors. TTI has begun construction of a major new manufacturing and research and development complex close to its existing facilities in southern parts of the PRC. Upon completion of the project, TTI believes that it will increase its capacity by more than 65%, enabling it to meet the research and development, engineering and production needs of its branded businesses and OEM clients in the most cost effective manner.
- ***Strong relationship with reputable customers.*** The Group has built up a solid and reputable customer base which includes brand names such as Hoover, Rubbermaid and Procter & Gamble. In 2001, TTI signed a long term supply agreement with The Home Depot, the largest home improvement retailer in the US with over 1,750 stores across North America to distribute Ryobi brand power tools. This has enabled TTI to gain easy access to market and also to leverage The Home Depot’s marketing and promotion efforts. On 3 July 2003, TTI partnered with The Home Depot to manufacture and supply a range of professional grade power tools under the RIDGID brand. The products are currently only available in The Home Depot. Launched only in the final quarter of 2003, the RIDGID line made a significant sales contribution to the Group. TTI believes that such exclusive arrangements will continue to underpin the high growth seen since 2000. TTI believes that its ability to satisfy the needs of its customers has contributed to its ability to maintain a reputable customer base. It also believes that its solid customer base and good customer relationships has provided a concrete foundation for the Group to expand its existing business and to develop more advanced products.

quality products is enhanced by its strong relationships with its retail partners. TTI stands out as a strong OEM/ODM in the power tool and outdoor equipment and floor care product market in North America, Europe and Asia Pacific region. TTI believes that its solid track records with its retail partners would make TTI a supplier of choice during periods of aggressive supplier consolidation.

- ***Acquisition and integration of key brands.*** Over the years, TTI has transformed itself from an OEM/ODM for major brands to a major branded power tool, outdoor equipment and floor care product supplier. While the majority of TTI's growth has been organic, TTI has seized opportunities over the past two years to acquire strategic assets, enhancing its manufacturing platform and global branding strategy. With the acquisitions of VAX, Ryobi, Homelite, Royal, Regina and Dirt Devil, TTI has been able to offer products from the consumer low end to the professional segments and with significant market presence in the key markets of North America, Europe and Australasia. As a result, own and licensed brand sales increased from 28% of total sales in 2001 to 68% in 2003.
- ***Focus on design and development.*** TTI believes that its success as an OEM/ODM has been driven by its focus on research and development and cross-utilisation of its core technologies and patented intellectual property such as the introduction of Royal's bagless technology with VAX in 2003. This has enabled VAX to introduce a new range of upright vacuums into the United Kingdom and Australasia resulting in an immediate increase in sales in the floor care business of the Group in 2003. TTI operates a combination of research and development centres in its end markets such as the US, United Kingdom and the PRC. This provides it with close proximity to end customer demands and enables TTI to quickly develop innovative features that reflect and aspire to the demands of local end consumers. The research and development centre in the PRC focuses on the improvement in quality of such innovative features and the reduction of overall costs of the manufacturing process. The expansion of the Group's facilities that has commenced in the PRC will enable the Group to increase efficiencies and synergies by housing an engineering and operations centre in one location and further meet the research and development needs of its branded business and OEM clients.
- ***Competitive pricing and product range.*** TTI works closely with its customers in developing its pricing strategy and in the design and production of its product range. This means that it can launch new products with a degree of certainty that they will be accepted by the market. This strategy has helped the Group to gain its market share.
- ***Long-standing relationship with suppliers and advantages of mass procurement.*** The vast majority of TTI's suppliers are located in close proximity to TTI's own production centre in the PRC. This, in combination with its increased scale over the last few years, provides TTI with substantial procurement benefits compared to most of its competitors whose production facilities are more spread out over the world. TTI has developed long-standing relationships with its key suppliers whilst maintaining a multi-sourcing strategy. Based on TTI's knowledge of and close cooperation with its key suppliers, TTI has provided its suppliers with product specifications that fit their manufacturing capabilities so that its suppliers can produce in a more cost efficient manner.

TTI's objectives are to (i) further strengthen its position as a leading global player in its existing key markets, (ii) leverage its strengths by expanding into new products and brands, such as its recently acquired Ryobi license for outdoor products in North America and (iii) selectively enter new markets in particular, Europe. Key elements of TTI's strategy for achieving these objectives include:

- ***Continue to focus on new product development and marketing.*** New product development and marketing remain the key growth drivers of TTI's business. In fiscal 2003, TTI spent approximately US\$34.4 million on research and development, representing approximately 2% of TTI's consolidated turnover. TTI intends to maintain a continuous flow of new products in order to grow market share. TTI works closely with The Home Depot and other retailers to optimise product offerings and packaging. New product development efforts will be focused on: i) the replacement of outdated product designs, ii) development of innovative features that will keep TTI ahead of its competitors and iii) improvement in quality while reducing overall costs. TTI will strive to strengthen its position as a top player in its industry. The Group is focused on increasing the value of its brands by introducing a wider range of products and product innovations and further expanding consumer recognition. The Group plans to maximise synergies in logistics, marketing and sales to capitalise on the powerful Ryobi brand covering now both power tools and outdoor power equipment. TTI plans to further increase consumer recognition through several initiatives such as the establishment of its own in-store sales and service teams in North America. These teams serve to educate customers and promote TTI's products, leading to a longer-lasting and more positive impression.
- ***Further strengthen its close relationship with key customers.*** TTI intends to further strengthen its close relationships with key customers so that they will continue to consider the Group as an integral partner in their business. TTI aims to retain its customers' preferred OEM or ODM partners by jointly developing engineering solutions to meet their requirements. TTI also seeks to shorten time-to-market. TTI intends to further strengthen its extensive quality assurance and testing program, which it believes will ensure that its engineering solutions are translated into reliable products. TTI also plans to further enhance its after-sales service and support by establishing regional centers. TTI believes that its focus on its engineering capability, extensive quality assurance and responsive after-sales support will continue to be significant factors in its ability to maintain close relationship with its customers. During 2003, in North America, TTI established its own in-store sales and service teams to serve its customers better. TTI also consolidated its distribution centres to optimise the logistic operations in the US, resulting in a quicker turnaround time and lower costs.
- ***Expand its production capacities in the PRC and maintain cost efficiency and production quality.*** TTI intends to continue to invest in its PRC factories and expand its production capacity in order to cope with the Group's business growth. The Group will continue to transfer production to its facilities in the PRC and raise the proportion of materials and components sourced in Asia. The Group will continue to look for improvements in cost efficiency and production quality, such as the use of flexible assembly lines, whereby it can optimise the mix of labour and selective automation. It will continuously look for opportunities to improve its manufacturing process, including the co-operation with its key suppliers. TTI has begun construction of a major new manufacturing and research and development complex close to its existing facilities in southern parts of the PRC. Upon completion of the project, TTI believes that it will increase its capacity by more than 65%, enabling it to meet the research and development, engineering and production needs of its branded businesses and OEM clients in the most cost effective manner. TTI believes that the increased capacity will enable it to capitalise on its strength of low cost and high quality production in the PRC.



continue to expand the depth of its product development resources by strengthening its research and development and engineering teams globally. TTI has invested in extensive testing and regulatory laboratories in the US, Hong Kong and the PRC. With these testing facilities in place and running efficiently, the Group is able to shorten concept testing, product verification and regulatory approvals, which in turn results in faster market penetration. TTI is confident that its product innovation programs will continue to deliver products that satisfy the expectations of end-users and contribute to the Group's profitable growth. TTI is also looking into more applications for the production rights of its petrol-driven engines which meets the toughest emissions standards in the US, including California.

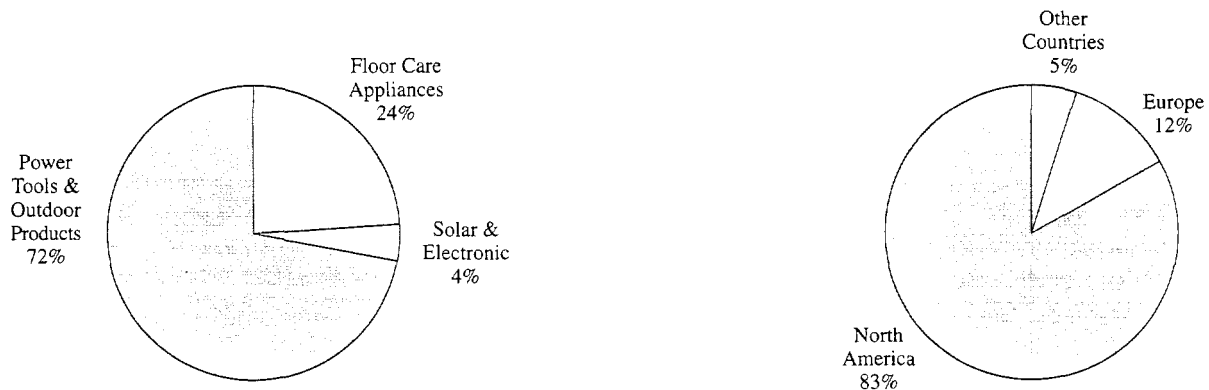
- **Selective expansion into other markets.** TTI is monitoring the possibility of entering into new markets, in particular in Europe. The Group recognises the differences in European markets and is selectively pursuing market niches it feels it can successfully penetrate. The Group has been successful with its VAX brand in the United Kingdom and with Dirt Devil in Germany. The Group is also exploring new high growth markets and applications for its successful solar and electronic business.

## Business

TTI's operations are divided primarily into three categories:

1. Power Tools and Outdoor Products
2. Floor Care Appliances
3. Solar & Electronic Products

The pie charts below set forth a summary of the Group's performance by business segment and by geographical market location for the year 2003.



The Power Tools and Outdoor Products division is TTI's largest business segment, accounting for 72% of its turnover in year 2003. Operating profits increased by 38.5% to HK\$653 million (US\$84 million) which represents 75.5% of TTI's total operating profits. TTI's power tools division designs, engineers, and manufactures a complete range of portable, bench top and stationary power tools, which can be broadly classified into two categories, bench top and hand-held (corded and cordless) products. Products produced include a full range of both rechargeable and corded tools such as impact drills, drill/drivers, screwdrivers, reciprocating saws and circular saws; a full range of bench top tools such as miter saws and drill press, and a full range of stationary tools such as table saws. The Power Tool and Outdoor Products division is a principal manufacturer of TTI's own Ryobi brand, Sears' Craftsman line, RIDGID line and many major brands of power tools around the world through TTI's private label arrangement.

In November 2001, TTI acquired the Homelite brand of outdoor products from John Deere Company. Homelite was founded in 1921 as the Home Electric Lighting Company to manufacture power generators. The company later became known as Homelite, and its product mix gradually shifted toward lawn and garden products in the 1980s. In November 2001, as part of a sweeping effort to improve financial performance and focus on its core business of heavy duty industrial equipment for commercial users, John Deere decided to exit the consumer product business and sold Homelite to TTI. Homelite is a leading manufacturer of gas powered and portable lawn and garden equipment in North America, producing a full-line of handheld outdoor power equipment, including, string trimmers, blowers, chain saws, and hedge trimmers. TTI has successfully integrated the Homelite outdoor power equipment operations. As a result, the business contributed to TTI's bottom-line as well as top-line growth. At the same time, TTI has succeeded in modifying its engines for these products to meet the new standards required by the US Environmental Protection Agency, which opens future opportunities for TTI.

TTI's Power Tool and Outdoor Products division has been TTI's fastest growing segment in recent years. For 2002, the division delivered an aggressive 60% increase in turnover over 2001, to HK\$7,604 million (US\$976 million). Turnover of Ryobi power tools posted an impressive growth, exceeding 100% for the first half of 2002. For 2003, the Power Tools and Outdoor Products division recorded a 24.8% increase in turnover from HK\$7,604 million (US\$976 million) for the year ended 31 December 2002 to HK\$9,487 million (US\$1,217 million) for the year ended 31 December 2003. Investments in brand promotion and marketing campaigns have improved Ryobi brand awareness and created strong demand from the market. The quality of the Ryobi product, combined with its value-price positioning, has allowed TTI to increase comparative turnover and improve profitability. The ODM and OEM businesses also remain healthy.

TTI has recently successfully developed a range of professional grade power tools that are available under the RIDGID brand in The Home Depot in the US and Canada. The launch in October 2003 was a success and factory orders and sell-through of RIDGID tools exceeded TTI's expectations. With their attractive designs and features, these high quality professional grade power tools were able to compete with established brands in the market.

Performance in TTI's outdoor products in fiscal 2003 exceeded plans. Homelite's integration with Ryobi is leveraging logistics strengths and streamlining distribution and marketing programs. Additionally, TTI's Ryobi products are benefiting from Homelite's product technologies and production capabilities. During 2003, the Group launched several important products, such as the professional string trimmer and a new range of "Expand-it" attachments, demonstrating its ability to leverage both brands and production processes to generate additional revenues. The expansion of the outdoor products business also helps to offset the seasonal factors inherent in the power tools industry providing a more even level of orders, in turn strengthening the consistency of the turnover stream and benefiting the supply chain.

TTI's Floor Care Appliances division designs, engineers, manufactures and markets a variety of floor care appliances, including stick vacuums, extractor vacuums, upright vacuums, canister vacuums and portable hand vacuums, both rechargeable and corded. The division is a principal manufacturer of Bissell and serves as an ODM/OEM manufacturer for Hoover, both of which are leading brands in North America. The division also markets TTI's own VAX brand in the United Kingdom, Australia and several other countries and markets its own Royal and Dirt Devil brands in Germany through a subsidiary.

The Floor Care Appliance division recorded a 91.6% increase in turnover from HK\$1,662 million (US\$213 million) for the year ended 31 December 2002 to HK\$3,185 million (US\$409 million) for the year ended 31 December 2003. Operating profits for the year 2003 increased by 79.7% to HK\$131 million (US\$17 million). The growth in 2003 was primarily driven by the consolidation of financials for 8 months of Royal, which TTI acquired in April 2003. Growth was also generated by new product introductions and from demand-generating retail price adjustments made by TTI's OEM customers in North America. The introduction of Royal's technology and designs under the VAX brand in the United Kingdom has resulted in an increase in sales.

TTI remains increasingly optimistic about the future of its Floor Care Appliances division. The acquisition of Royal which completed in April 2003 provided the Group with a new avenue of growth in its floor care business. The acquisition has enabled the Group to increase the size of its branded presence in North America, expand its customer base and add product technologies and development capabilities to the Group. Royal owns both the Royal brand, targeted at retail floor care specialists, and the Dirt Devil brand that is sold to consumers through leading mass-market retailers. Following the acquisition, TTI focused on the integration of Royal's operations into the Group, by transferring the engineering and manufacturing functions to Asia and strengthening the logistics, brand marketing and new product concept capabilities in Royal's home markets.

Since 1995, TTI has manufactured a portion of Royal's floor care products on a private label basis and, therefore, is familiar with Royal's operations and is alert to specific areas of improvement that will drive margins and improve profitability. As a result, TTI was able to execute the integration with minimum disruption, supported by the core team of excellent managers who stayed with the company. The Group is well positioned to offer its high-volume retail partners both direct shipments from Asia and integrated logistic services through Royal's state-of-the-art distribution facilities in Cleveland, Ohio and Ontario, California. This flexible logistics system provides Royal and its retail partners opportunities for improved inventory management with reduced production-to-customer cycles. In Europe, TTI made progress in establishing a platform for both Royal and Dirt Devil products in Germany and other Central and Eastern European markets.

During 2003, VAX has significantly diversified its business from multi-function carpet cleaners to the much larger dry vacuum cleaner category. The accelerated new product development process resulting from the Royal integration, as well as important sales and marketing efforts, have helped the Group to develop strong relationships with its channel partners, as well as to create product offerings to differentiate VAX from its competitors.

### ***Solar and Electronic Products***

TTI's Solar and Electronic Products division features products such as solar powered lighting, electronic and laser measuring devices, and electronic health care products, such as power toothbrushes.

While a small component of TTI's consolidated operations, the Solar and Electronic Products division delivered impressive performance in 2001 and 2002 by reporting a 160.4% growth in operating profits to HK\$37 million (US\$5 million). For fiscal year 2003, the division reported an impressive 125.1% increase in turnover versus the prior year. Divisional profits rose during the period

years were highlighted by the introduction of new die cast for glass solar lights and new state of the art laser leveling tools and ultrasonic tape measures. The success of these new products was a major factor in the divisions overall improvement and profit contribution.

In addition, sales were driven by a major expansion of TTI's business in the North American market, where TTI developed relationships with important ODM partners, and launched new products derived from its core technologies and patented intellectual property. These customers provided additional distribution channels with high potential for the Group's solar powered and electronic products, TV advertising campaigns further raised product awareness and created strong sell-through at the retail level.

### **Employees and Staff Training**

As of 31 December 2003, the Group employed a total of approximately 16,000 employees in the PRC and overseas, of whom approximately 490 were working at the Hong Kong headquarters, 1,850 at the US offices, 350 at the offices in Australia and Germany and the remaining 13,310 at the manufacturing plants in the PRC. Total staff costs for the year ended 31 December 2003 amounted to HK\$984 million (US\$126 million) as compared to HK\$625 million (US\$80 million) in the same period last year. The increase was partly due to the acquisition of Royal completed in April 2003.

The Group believes that human capital is vital for continuous growth and profitability and therefore encourages and provides job-related training to all staff to improve their skills and competencies.

The Group's remuneration policies have remained unchanged. In addition to the competitive remuneration packages offered, discretionary share options are also granted to eligible staff based on individual and Group performances.

TTI has not experienced any strikes, work stoppages or to other labour disputes and it considers its current relations with its workforce to be good.

### **Major Suppliers**

As of 31 December 2003, the Group's largest supplier and five largest suppliers accounted for approximately 4.2% and 18.5% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

A majority of the components and materials purchased by the Group are sourced from Asian suppliers. In order to reduce the dependency on any one supplier, the Group sources its components or materials from multiple suppliers. TTI believes that the relationship between the Group and its suppliers have been and will continue to be good and stable. During the three years ended 31 December 2003, the Group has not experienced any difficulties in obtaining supplies of components and materials.

### **Quality Control**

TTI believes that its advanced process and assembly technology and reputation for high quality and reliable products and services have been important factors in attracting and retaining leading international companies as its customers. The Group has established total quality management systems which are designed to ensure high production yields and quality at its facilities. The Group also places high priority on the education and training of its employees in new and effective concepts of quality control and improvement. As of 31 December 2003, the Group had over 570 quality control personnel,

production staff to conduct examination, testing and fine-tuning of products during the production process.

The quality management systems of the Group have been awarded certifications from the British Standards Institution and Hong Kong Quality Assurance Agency as meeting the requirements of the International Organisation for Standardisation ("ISO") ISO9002: 1994 and ISO9001: 1994 in December 1996 and December 1998 in respect of the Group's quality management systems. The management system is recertified as meeting the ISO9001: 2000 standards in 2002.

## **Insurance**

The Group's insurance coverage as of 31 December 2003 includes:

- Business interruption insurance;
- Property damage all risk insurance on its fixed assets, equipment and inventory;
- Directors' and officers' liability insurance;
- Marine cargo insurance;
- Third-party liability insurance to cover claims in respect of personal injury or property damage arising from accidents;
- Product liability insurance.

TTI believes its insurance coverage is adequate and conforms with industry standards prevailing in the PRC and the US.

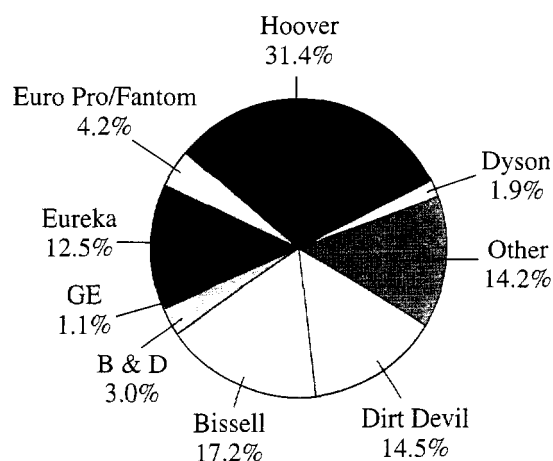
## **Competition**

### ***Power Tools and Outdoor Products***

TTI believes that seven manufacturers control approximately 75% of the US electric power tools market. TTI's market share is approximately 32%, making it the second largest player in the Home Center (Home Depot, Lowe's), Independent (Ace, True Value, HWI, etc.) and Mass Merchant (Sears, Wal-Mart) markets. TTI's major competitors are Black & Decker (Black & Decker and DeWalt), Skil/Bosch, Porter-Cable/Delta and Makita.

TTI estimates that through the Homelite, Ryobi and Toro brand, TTI has an average market share of 18% in the categories of gas chain saws, trimmers and blowers. Through the acquisition of Homelite and Ryobi as well as OEM supply of trimmers under the Toro brand, TTI now ranks as the third largest manufacturer of gas powered trimmers and blowers in North America.

TTI believes that five manufacturers control approximately 80% of the North America floorcare market. Royal's market share is approximately 14.5%, making it the third largest player in the Home Center (Home Depot, Lowe's), and Mass Merchant (Sears, Target, Kmart, Wal-Mart), Warehouse Clubs (Sam's, BJ's), Electronic stores (Best Buy) markets. Royal's major competitors are Hoover, Bissell, Eureka and Euro-Pro. The following provides an overview of market share within the North America floorcare market for the year 2003.



Royal estimates that through the Dirt Devil brand, Dirt Devil has market share of approximately 20% for uprights, 25% for hand vacs, 11% for sticks and 4% for extraction.

TTI is also ODM/OEM manufacturer to some of the brands listed above and its aggregate market share in the North American floor care sector therefor exceeds the 14.5% market share which only represents the market share of the Royal and Dirt Devil brands.

### **Legal Proceedings and Environmental Matters**

The Group is subject to extensive air, water and other environmental laws and regulations. These constantly changing laws regulate the discharge of materials into the environment and require the removal or mitigation of the environmental effects of the disposal or release of certain substances. Management believes that TTI's current procedures and practices for handling and management of materials are consistent with or above industry standards and applicable legal requirements and that the appropriate precautions are taken to protect employees and others from harmful exposure to hazardous materials.

Various claims and lawsuits against the Group are pending but either are covered by insurance or are not material or are the type which are normally and reasonably foreseeable in view of the nature of TTI's business, and the management of TTI believes that the total amount of liability that reasonably may be expected to arise from such claims and lawsuits, beyond that which is covered by insurance, would not materially adversely affect its business or financial condition.

### **Government Regulations**

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates. The Group's facilities are subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. Neither TTI nor its subsidiaries has experienced significant problems with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

The following list sets forth the names, ages and offices of the present executive officers and directors of TTI. The periods during which such persons have served in such capacities are indicated in the description of business experience of such persons below.

Horst Julius Pudwill (58)	Chairman and Chief Executive Officer
Roy Chi Ping Chung (52)	Managing Director
Patrick Kin Wah Chan (44)	Executive Director
Frank Chi Chung Chan (50)	Executive Director
Akio Urakami, PhD. (61)	Executive Director
Christopher Patrick Langley (59)	Independent Non-Executive Director
Vincent Ting Kau Cheung (62)	Independent Non-Executive Director
Joel Arthur Schleicher (52)	Independent Non-Executive Director

***Description of Business Experience of Officers and Management***

**Horst Julius Pudwill - Chairman and Chief Executive Officer:** Mr. Pudwill is the founder of TTI and has been Chairman since 1985. His background includes a Master's Degree in Engineering and a general commercial degree, together with extensive experience in international business. His responsibility is the formulation of the strategic vision of TTI, focusing on continuing growth and profitable development of TTI, products and services. He is active in aligning the activities of TTI with customer needs.

**Roy Chi Ping Chung - Managing Director:** Mr. Chung is the co-founder of TTI and has been Managing Director since 1985. He holds a Master of Science degree in Engineering Business Management from the University of Warwick. He is responsible for corporate and business management of TTI. Mr. Chung, won the Young Industrialists Award of Hong Kong in 1997, is a council member of Hong Kong Polytechnic University, a member of the Advisory Board for the Faculty of Business of Lingnan University, Director of Hong Kong Paediatric Foundation of Hong Kong Paediatric Society, Director of Hong Kong Safety Institute Ltd., Chairman of TTI's "Electrical & Optical Products" and member of Design Council of the Federation of Hong Kong Industries. Mr. Chung is also the President of Hong Kong Electrical Appliances Manufacturers Association and is an Independent Non-Executive Director of Kin Yat Holdings Limited.

**Patrick Kin Wah Chan - Executive Director:** Mr. Chan is a fellow member of the Chartered Association of Certified Accountants, an associate member of the Hong Kong Society of Accountants, and associate of the Professional Validation Centre of the Hong Kong Plastic and Metal Industries Limited. Mr. Chan joined the Group in 1988 and was appointed as Executive Director in 1990. He is now responsible for the operations of TTI.

**Frank Chi Chung Chan - Executive Director:** Mr. Chan is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Society of Accountants, an associate of the Taxation Institute of Hong Kong and qualified to practice as a Certified Public Accountant in Hong Kong. He joined TTI in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and finance of TTI. He is also an Independent Non-Executive Director of Easyknit International Holdings Limited.

**Akio Urakami, PhD - Executive Director:** Dr. Urakami holds a PhD degree in Materials Science from Northwestern University. He was appointed as Director of TTI in 1989 and Executive Director in 2001. Dr. Urakami is also Vice Chairman of One World Technologies, Inc. His responsibility is the formation and execution of the corporate strategy with Chairman and Managing Director of TTI, and particular emphasis on the long-term business development with alliance companies.

Corporation Limited. He holds directorships in a number of publicly listed companies and maintains close ties with the business community in Hong Kong.

Vincent Ting Kau Cheung - Independent Non-Executive Director: Mr. Cheung was appointed Director of TTI in 1991. He is also an Executive Director of Jade Dynasty Food Culture Group Limited, an Independent Non-Executive Director of Gold Peak Industries (Holdings) Limited and Paul Y. - ITC Construction Holdings Limited. He has been a practicing solicitor since 1970 and is now the senior partner of Vincent T.K. Cheung, Yap & Co., Solicitors. Mr. Cheung is qualified to practice as solicitor in the UK and is also a Notary Public, Hong Kong.

Joel Arthur Schleicher - Independent Non-Executive Director: Mr. Schleicher was appointed as Director of TTI in 1998. He is a private investor and advisor to private equity firms. He is presently the Chairman and CEO for Interpath, Inc. and has served in that capacity since 2000. From 1998 to 2000, he was the CEO for Expanets, Inc.; from 1989 to 1995, he was the COO and President for Nexiel Communications, Inc. Mr. Schleicher has 28 years of management experience with growth companies in the telecommunications and manufacturing fields.

## Operating Subsidiaries

Particulars of the operating subsidiaries of the Issuer at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Issuer		Principal activities
			Directly	Indirectly	
			%	%	
Digiwireless Limited	Hong Kong	HK\$2	100	—	Investment holding
Envotech Technology Company Limited	Hong Kong	HK\$2	100	—	Investment holding
Full Team International Limited	Hong Kong	HK\$2	100	—	Investment holding
Homelite Asia Ltd.	BVI/The PRC	US\$1	100	—	Trading of outdoor power equipment products
Homelite Consumer Products Holdings, Inc.	USA	US\$10	—	100	Investment holding
Homelite Consumer Products, Inc.	USA	US\$10	—	100	Trading of outdoor power equipment products
Homelite Far East Co. Ltd.	Hong Kong	HK\$2	100	—	Trading of outdoor power equipment products
Homelite Technologies Ltd.	Bermuda	US\$12,000	100	—	Investment holding



Name of subsidiary	incorporation/ operation	fully paid share capital	issued capital held by the Issuer		Principal activities
			Directly	Indirectly	
			%	%	
MacEwen Property Co. Inc.	USA	US\$100	100	—	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK\$100,000	100	—	Trading of household electronic and electrical products
One World Technologies Inc.	USA	US\$10	—	100	Investment holding
One World Technologies Limited	Bermuda	US\$12,000	100	—	Investment holding
OWT France SAS	France	Euro 1,750,000	—	100	Investment holding
OWT Holding, Inc.	USA	US\$10	2.8	97.2	Investment holding
OWT Industries, Inc.	USA	US\$10	—	100	Manufacture of electric components and power tools products
OWT Taiwan Limited	Taiwan	NT\$5,000,000	100	—	Provision of inspection services
Premier Appliance Group Limited	Hong Kong	HK\$2	100	—	Manufacture of components
RAMC Holdings Limited	Bermuda	US\$12,000	100	—	Investment holding
Ryobi Technologies Australia Pty Ltd.	Australia	A\$5,500,000	100	—	Trading of electric power tools products
Ryobi Technologies Canada, Inc.	Canada	C\$600,000	—	100	Trading of electric power tools products
Ryobi Technologies France S.A.	France	Euro 17,836,535	—	100	Trading of electric power tools products
Ryobi Technologies GmbH	Germany	Euro 500,000	100	—	Trading of electric power tools products
Ryobi Technologies, Inc.	USA	US\$10	—	100	Trading of electric power tools products

Name of subsidiary	incorporation/ operation	fully paid share capital	issued capital held by the Issuer		Principal activities
			Directly	Indirectly	
			%	%	
Ryobi Technologies (New Zealand) Limited	New Zealand	NZ\$1,165,500	100	—	Trading of electric power tools products
Ryobi Technologies (UK) Limited	The United Kingdom	£4,000,000	100	—	Trading of electric power tools products
Royal Appliance Mfg. Co.	USA	US\$1	—	100	Trading and manufacture of floor care products
Royal Appliance International GmbH	Germany	Euro 1,278,230	51	—	Trading of household electronic and electrical products
Santo Industries Limited	Hong Kong	HK\$2,000,000	100	—	Trading of household electronic and electrical products
Sang Tech Industries Limited	Hong Kong	HK\$1,000,000	100	—	Manufacture of plastic parts
Solar Wide Industrial Limited	Hong Kong	HK\$2,000,000	75.725	—	Manufacture of electronic products
Solar Wide (Overseas) Limited	The British Virgin Islands/ The PRC	US\$1	—	100	Manufacture of electronic products
Techtronic Appliances Holdings Company Limited	Bermuda/ Hong Kong	US\$12,000	100	—	Investment holding
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HK\$2	—	100	Trading and manufacture of floor care products
Vax Limited	The United Kingdom	£33,000	100	—	Assembly, procurement and distribution of floor care products
Vax Appliances (Australia) Pty. Ltd.	Australia	A\$1,200,008	100	—	Assembly and distribution of floor care products

## Substantial Shareholders' Interests

As at 2 July 2004, the interests and short positions of the following persons, other than directors and chief executive of the Group, in the shares, underlying shares and debentures of the Group which have been disclosed to the Group pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") have been recorded in the register kept by the Group pursuant to section 336 of the SFO:

<u>Name</u>	<u>Total interests in shares<sup>1</sup></u>	<u>Approximate aggregate percentage of interests</u>
FMR Corp. <sup>2</sup> . . . . .	156,547,000	11.71%
Wellington Management Company, LLP <sup>3</sup> . . . . .	105,064,212	7.86%
J.P. Morgan Chase & Co. <sup>4</sup> . . . . .	82,583,932	6.18%

### Notes:

- Interests in shares stated above represent long positions.
- The capacity of FMR Corp. in holding the 156,547,000 Shares was as Investment Manager.
- The capacity of Wellington Management Company, LLP in holding the 105,064,212 Shares was as Investment Manager.
- The following is a breakdown of the interests in shares of J.P. Morgan Chase & Co.:

<u>Name</u>	<u>Remarks</u>	<u>Total interests in shares</u>		<u>Approximate percentage of interests</u>
		<u>Direct interests</u>	<u>Deemed interests</u>	
J.P. Morgan Chase & Co. . . . .	(a)	—	82,583,932	6.18%
J.P. Morgan Fleming Asset Management Holdings Inc. . . . .	(b)	—	41,205,000	3.08%
J.P. Morgan Fleming Asset Management (Asia) Inc. . . . .	(b)	—	40,987,500	3.07%
JF Asset Management Limited. . . . .	(b)	36,925,500	3,590,000	3.03%
JF Funds Limited . . . . .	(b)	—	3,590,000	0.27%
JF Asset Management (Taiwan) Limited . . . . .	(b)	3,590,000	—	0.27%
JF International Management Inc. . . . .	(b)	472,000	—	0.04%
Robert Fleming Holdings Ltd. . . . .	(b)	—	217,500	0.02%
Robert Fleming Asset Management Ltd. . . . .	(b)	—	217,500	0.02%
J.P. Morgan Fleming Asset Management (UK) Limited . . . . .	(b)	217,500	—	0.02%
JPMorgan Chase Bank . . . . .	(b)	39,298,932	2,080,000	3.10%
J.P. Morgan International Inc. . . . .	(b)	—	2,080,000	0.16%
J.P. Morgan International Finance Limited . . . . .	(b)	—	2,080,000	0.16%
J.P. Morgan Holdings (UK) Limited . . . . .	(b)	—	1,820,000	0.14%
J.P. Morgan Securities Ltd. . . . .	(b)	1,820,000	—	0.14%
J.P. Morgan Overseas Capital Corporation. . . . .	(b)	—	260,000	0.02%
J.P. Morgan Whitefriars Inc. . . . .	(b)	260,000	—	0.02%

- (a) J.P. Morgan Chase & Co. is listed on the New York Stock Exchange. The capacity of J.P. Morgan Chase & Co. in holding the 82,583,932 Shares was, as to 2,080,000 Shares, as Beneficial Owner, as to 41,205,000 Shares, as Investment Manager and, as to 39,298,932 Shares, as Other. The 82,583,932 shares included a lending pool of 39,298,932 Shares.
- (b) J.P. Morgan Fleming Asset Management Holdings Inc., J.P. Morgan Fleming Asset Management (Asia), Inc., JF Asset Management Limited, JF Funds Limited, JF Asset Management (Taiwan) Limited, JF International Management Inc., Robert Fleming Holdings Ltd., Robert Fleming Asset Management Ltd., J.P. Morgan Fleming Asset Management (UK) Limited, JPMorgan Chase Bank, J.P. Morgan International Inc., J.P. Morgan International Finance Limited, J.P. Morgan Holdings (UK) Limited, J.P. Morgan Securities Ltd., J.P. Morgan Overseas Capital Corporation and J.P. Morgan Whitefriars Inc., were all direct or indirect subsidiaries of J.P. Morgan Chase & Co. and by virtue of the SFO, J.P. Morgan Chase & Co. was deemed to be interested in the Shares held by these subsidiaries.

## Directors' Interests

As at 2 July 2004, the interests and short positions of the directors and the chief executive of the Group in the shares, underlying shares and debentures of the Group or any of its associated corporations (within the meaning of Part XV of the SFO which have been notified to the Group pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Group and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr. Horst Julius Pudwill	The Company	Beneficial owner	71,974,000	31,088,000	326,481,794	24.43%
	The Company	Interest of spouse	760,000	—	—	
	The Company	Interests of controlled corporation	222,659,794 <sup>(2)</sup>	—	—	
Mr. Roy Chi Ping Chung	The Company	Beneficial owner	113,541,948	13,824,000	164,576,978	12.31%
	The Company	Interest of spouse	136,000	—	—	
	The Company	Interests of controlled corporation	37,075,030 <sup>(3)</sup>	—	—	
Mr. Kin Wah Chan	The Company	Beneficial owner	2,364,000	2,500,000	4,864,000	0.36%
Mr. Chi Chung Chan	The Company	Beneficial owner	500,000	3,000,000	3,500,000	0.26%
Dr. Akio Urakami	The Company	Beneficial owner	300,000	1,300,000	1,600,000	0.12%
Mr. Vincent Ting Kau Cheung	The Company	Beneficial owner	1,920,000	700,000	2,720,000	0.20%
Mr. Joel Arthur Schleicher	The Company	Beneficial owner	200,000	500,000	700,000	0.05%
Mr. Christopher Patrick Langley	The Company	Beneficial owner	490,000	300,000	790,000	0.06%

- (1) Interests in shares and underlying shares stated above represent long positions.

The equity derivatives are physically settled and unlisted.

The interests of the directors of the Group in the underlying shares pursuant to equity derivatives represent options granted to them pursuant to the share option schemes adopted by the Group.

- (2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	<u>No. of shares</u>
Sunning Inc. . . . .	185,584,764
Cordless Industries Company Limited* . . . . .	<u>37,075,030</u>
	<u>222,659,794</u>

- (3) These shares were held by Cordless Industries Company Limited\* in which Mr Roy Chi Ping Chung has a beneficial interest.

*\* Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Mr Roy Chi Ping Chung.*

Subject to the Companies Ordinance and the Articles of Association of the Issuer, the Issuer in general meeting may declare dividends but no dividends shall exceed the amount recommended by the Board of Directors of the Issuer. In addition, the Board of Directors may from time to time pay to the members such interim dividends as appear to the Board of Directors to be justified by the profits of the Issuer. No dividend shall be payable except out of profits of the Issuer and no dividends shall carry interest.

The table below sets out certain statistics on dividends paid on Shares in respect of the years indicated:

<u>Year ended 31 December</u>	<u>Interim Ordinary Dividend per Share</u>	<u>Final Ordinary Dividend per Share</u>	<u>Total Ordinary Dividend per Share</u>	<u>Interim Ordinary Dividend</u>	<u>Final Ordinary Dividend</u>	<u>Total Ordinary Dividend</u>
	<i>(HK cents)</i>			<i>(HK\$ '000)</i>		
2001 .....	2.250 <sup>(1)</sup>	3.500 <sup>(4)</sup>	5.750	25,844	45,060	70,904
2002 .....	3.000 <sup>(2)</sup>	5.000 <sup>(5)</sup>	8.000	38,695	65,388	104,083
2003 .....	3.625 <sup>(3)</sup>	8.875 <sup>(6)</sup>	12.500	47,863	118,417	166,280

*Notes:*

- (1) The record date for payment of the 2001 interim dividend was 12 October 2001.
- (2) The record date for payment of the 2002 interim dividend was 13 September 2002.
- (3) The record date for payment of the 2003 interim dividend was 11 September 2003.
- (4) The record date for payment of the 2001 final dividend was 14 June 2002.
- (5) The record date for payment of the 2002 final dividend was 13 June 2003.
- (6) The record date for payment of the 2003 final dividend was 11 June 2004.
- (7) Adjustments have been made to the dividends declared and paid by the Company for the three years ended 31 December 2001, 2002 and 2003 following the subdivision of the shares of HK\$0.20 each in the share capital of the Company into 2 shares of HK\$0.10 each in the share capital of the Company with effect from 31 May 2004.

TTI achieved a record profit of HK\$674 million (US\$86 million) for fiscal year 2003 on HK\$13,183 million (US\$1,691 million) in turnover and HK\$1,152 million (US\$148 million) in EBITDA (40% growth). The significant acceleration was due to strong order flows in the core power tools and outdoor products, floor care appliances and solar and electronic products businesses. The strong growth of the Group in 2003 was the result of TTI's ability to bring new products to the market quickly in response to customer demand and to deepen its customer relationships, especially in the US market. In addition, the completion of the acquisition of the Royal operations and the launch of the RIDGID professional power tool line have provided the Group with a new avenue of growth in floor care and entry into a new market with tremendous potential in power tools. TTI achieved turnover and profit growth in all of its major geographic markets and business segments.

TTI's strong performance in the challenging economic period was achieved by introducing a series of new products which maintained the sales growth momentum and to allow the enhancement of margins. This together with a strategy of working closely with volume customers in the home-improvement and related industries, have driven TTI to outperform the market and deliver 41% turnover growth in North America, representing 83% of TTI's business.

In addition to strong gains made in North America, sales to Europe increased by 39% and sales to other countries, including Australasia, were up materially. The Ryobi acquisitions are providing an infrastructure in Europe and Australasia that will form the foundation for TTI's future market penetration. The acquisition of Homelite added a leading brand to the portfolio and expanded TTI's presence in the outdoor products category. TTI continues to make progress in the Homelite business by expanding the product range and improving product performance. TTI has begun the commercial production of outdoor products using the clean engine technology that complies with US emissions requirements. The Homelite brand is now well positioned for growth in existing and new product categories and markets.

### **Market Leader and Brand Recognition**

TTI's power tool products are sold under its own brand name, Ryobi as well as a number of private label brands like Sears' Craftsman brand, and RIDGID at The Home Depot. TTI's products are widely recognised in the market as providing "professional features at affordable prices". According to Total Research Corporation of Princeton, New Jersey, Sears' Craftsman brand is the most recognised brand name in the home improvement industry while the Ryobi brand is viewed as a high quality product at a moderate price. Investments in brand promotion and marketing campaigns have improved the Ryobi brand awareness and created strong demand from the market. The quality of the Ryobi product, combined with its value-price positioning, has allowed TTI to increase comparative turnover and improve profitability.

TTI currently ranks as the second largest supplier of electric power tools in the US, with a 32% market share. TTI's Ryobi brand name power tools are sold exclusively through The Home Depot, the world's largest home improvement retailer. TTI's dominance in the power tool market renders TTI an important sales and marketing partner to The Home Depot. TTI also ranks as the third largest manufacturer of gas powered trimmers and blowers in North America, with an average market share of 18%, and the second largest manufacturer of chain saws. Following the acquisition of Royal, TTI will further consolidate its strategy of global branding and will become the second largest manufacturer of floor care products in the US.

TTI has a solid relationship with The Home Depot - the world's largest home improvement retailer, currently operating more than 1,750 stores in the US, Canada, Puerto Rico and Mexico. In August 2000, TTI signed a long term supply agreement with The Home Depot on its Ryobi brand products. TTI's Homelite brand products are also sold through The Home Depot. TTI expects relations with The Home Depot to remain strong. On October 2002, TTI was named by The Home Depot "Innovator of the Year", and in 2003 named "Vendor of the Year" for the 3rd straight time. TTI, in partnership with The Home Depot, highlights the importance of developing products that continuously meet the customers' needs, perform well and are reasonably priced. In September 2003 TTI launched a new line of professional power tools under the RIDGID brand at The Home Depot. This was in cooperation with Emerson Electric and has proven to be a tremendous success. TTI has other relationships as well as future initiatives on additional product categories and line expansions to further expand market share and scope.

### Low Cost Manufacturing Base

TTI has a low cost Asian manufacturing base located primarily in the PRC, providing TTI with a significant competitive advantage. TTI continues to manage costs by sourcing products and materials to its facilities in the PRC and Asian suppliers. TTI's production strategy and capabilities will further enhance TTI's cost position and improve operating margins. The Group has an on-going focus on cost reduction in its factories in order to remain competitive.

### Solid Financials

For financial year ended December 31, 2003, TTI recorded its 9th consecutive year of double-digit earnings growth. For 2003, TTI's turnover grew by 38.9% to HK\$13,183 million (US\$1,691 million) and EBITDA improved 40% to HK\$1,152 million (US\$148 million). TTI's significant growth in 2003 was due to strong order flows in the core power tools and outdoor products, floor care appliances, solar and electronic products businesses. The acquisition of the Royal operations and the launch of the RIDGID brand professional power tool line also contributed to the robust turnover and profit increases. TTI's solid operating performance and focus on cost controls helped keep leverage ratios in conservative ranges.

TTI's strong performance in the challenging economic period was achieved by introducing a series of new products which maintained the sales growth momentum and to allow the enhancement of margins.

### RESULTS OF OPERATIONS

The following table sets forth for the periods indicated TTI's turnover by business segment in HK\$ and as a percentage of total turnover:

Turnover	Year ended 31 December,		
	2003	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Power equipment products . . . . .	9,486,308	7,603,461	4,765,613
Floor care appliances . . . . .	3,185,336	1,662,347	1,171,793
Solar powered lighting and electronic measuring products . . . . .	511,164	227,130	163,734
Total . . . . .	<u>13,182,808</u>	<u>9,492,938</u>	<u>6,101,140</u>



during the year.

Cost of sales primarily represents the cost of purchase of raw materials and components parts from suppliers. Cost of sales also includes other direct expenses including depreciation of assets directly involved in TTI's operations, transportation costs for goods purchased from suppliers, wages and salaries, sales commissions and rent and others.

Selling, Distribution, Advertising and Warranty expenses include costs associated with salaries, sales commissions, advertising and promotion and other distribution costs. Distribution expenses also include depreciation of assets used to transport products to TTI's customers. Distribution expenses have increased as TTI's business has grown and will likely continue to increase as the Group further expands its business.

Administrative expenses primarily include wages, salaries and benefits for administrative personnel. Administrative expenses also include depreciation of TTI's administrative facilities. Administrative expenses have increased as the Group's business has grown and will likely continue to increase as the Group further expands its business.

Taxation includes tax payable by the Group. The Issuer is subject to Hong Kong tax on Hong Kong-sourced income. Tax is calculated on an operating subsidiary basis.

### **Year Ended 31 December 2003 Compared to Year Ended 31 December 2002**

*Results of Operations.* Turnover increased 38.9% to HK\$13,183 million (US\$1,691 million) in 2003 from HK\$9,493 million (US\$1,218 million) in 2002. The Group's gross profit margin increased to 29.6% in 2003 from 26.0% in 2002. Net profit increased 63.2% to HK\$674 million (US\$86 million) in 2003 from HK\$413 million (US\$53 million) in 2002.

*Turnover.* Turnover increased 38.9% to HK\$13,183 million (US\$1,691 million) in 2003 from HK\$9,493 million (US\$1,218 million) in 2002 primarily as a result of contributions from the acquisition of Royal.

*Cost of Sales and Gross Profit.* Cost of sales increased 32.2% to HK\$9,285 million (US\$1,191 million) in 2003 from HK\$7,026 million (US\$901 million) in 2002. Gross profit increased 58.0% to HK\$3,898 million (US\$500 million) in 2003 from HK\$2,467 million (US\$317 million) in 2002.

*Selling, Distribution, Advertising and Warranty Expenses.* Selling, Distribution, Advertising and Warranty Expenses increased 54.5% to HK\$1,575 million (US\$202 million) in 2003 from HK\$1,019 million (US\$131 million) in 2002. The increase in the expenses was due to expanded volume of business and the acquisition of Royal, which has a higher cost structure than the Group.

*Administrative Expenses.* Administrative expenses increased 50.9% to HK\$1,247 million (US\$160 million) in 2003 from HK\$826 million (US\$106 million) in 2002.

*Finance Costs.* Finance costs increased 14.0% to HK\$96 million (US\$12 million) in 2003 from HK\$84 million (US\$11 million) in 2002.

*Profit Before Taxation.* Profit before taxation increased 54.9% to HK\$768 million (US\$99 million) in 2003 from HK\$496 million (US\$64 million) in 2002.

*Taxation.* Taxation reduced to HK\$67 million (US\$9 million) in 2003 from HK\$70 million (US\$9 million) in 2002 due to an internal restructuring and the relocation of manufacturing activities to the PRC.

2003 from HK\$12 million (US\$2 million) in 2002.

*Net Profit.* Net profit increased 63.2% to HK\$674 million (US\$86 million) from HK\$413 million (US\$53 million) in 2002. Basic earnings per share was HK\$1.03 in 2003, compared to HK\$0.66 in 2002.

#### **Year Ended 31 December 2002 Compared to Year Ended 31 December 2001**

*Results of Operations.* Turnover increased 55.6% to HK\$9,493 million (US\$1,218 million) in 2002 from HK\$6,101 million (US\$783 million) in 2001. The Group's gross profit margin increased to 26.0% in 2002 from 24.7% in 2001. Net profit increased 73.0% to HK\$413 million (US\$53 million) in 2002 from HK\$239 million (US\$31 million) in 2001.

*Turnover.* Turnover increased 55.6% to HK\$9,493 million (US\$1,218 million) in 2002 from HK\$6,101 million (US\$783 million) in 2001. This growth was driven by the addition of the Ryobi operations in Australasia and Homelite in 2002.

*Cost of Sales and Gross Profit.* Cost of sales increased 52.9% to HK\$7,026 million (US\$901 million) in 2002 from HK\$4,594 million (US\$589 million) in 2001. Gross profit increased 63.7% to HK\$2,467 million (US\$317 million) in 2002 from HK\$1,507 million (US\$193 million) in 2001.

*Selling, Distribution, Advertising and Warranty Expenses.* Selling, Distribution, Advertising and Warranty Expenses increased 97.2% to HK\$1,019 million (US\$131 million) in 2002 from HK\$517 million (US\$66 million) in 2001.

*Administrative Expenses.* Administrative expenses increased 38.6% to HK\$826 million (US\$106 million) in 2002 from HK\$596 million (US\$76 million) in 2001. The increase in administrative expenses was mainly due to the consolidation of the newly acquired businesses in 2002, which have higher cost structures than the Group's existing businesses.

*Finance Costs.* Finance costs decreased 7.7% to HK\$84 million (US\$11 million) in 2002 from HK\$91 million (US\$12 million) in 2001.

*Profit Before Taxation.* Profit before taxation increased 87.2% to HK\$496 million (US\$64 million) in 2002 from HK\$265 million (US\$34 million) in 2001.

*Taxation.* Taxation increased to HK\$70 million (US\$9 million) in 2002 from HK\$23 million (US\$3 million) in 2001.

*Minority Interests.* Minority interests increased 292.7% to HK\$12 million (US\$2 million) in 2002 from HK\$3 million (US\$0.4 million) in 2001.

*Net Profit.* Net profit increased 73.0% to HK\$413 million (US\$53 million) from HK\$239 million (US\$31 million) in 2001. Basic earnings per share was HK\$0.66 in 2002, compared to HK\$0.42 in 2001.

## ***Financial Position***

As at 31 December 2003, the cash and cash equivalent of the Group amounted to HK\$2,444 million (US\$314 million) as compared to HK\$1,754 million (US\$225 million) in 2002. This was after the settlement of the Royal acquisition, which was fully funded by internal resources, and the additional working capital required for a much expanded operation. Free cash flow increased from HK\$612 million (US\$79 million) to HK\$1,260 million (US\$162 million) in 2003.

Interest expenses, net of interest income, amounted to HK\$79 million (US\$10 million) for the year as compared to HK\$70 million (US\$9 million) reported in 2002. The increase was relatively small taking into account the acquisition early in the second quarter of the year and the increased scale of operations. The Group continued to benefit from the low interest rate environment and its efficient working capital management. Interest cover, expressed as a multiple of profit before interest and tax over total net interest expenses, was at 10.4 times as compared to 7.9 times reported in 2002.

The following statement contains a summary of certain provisions of the Issuer's Articles of Association ("Articles") and certain other information concerning the Issuer. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Articles.

As at the date of this Offering Circular, the authorised share capital of the Issuer is HK\$240,000,000 divided into 2,400,000,000 shares of HK\$0.10 each.

## **General**

Under the laws of Hong Kong, shareholders who are not residents of Hong Kong may hold, vote and transfer their shares in the same manner as Hong Kong residents.

## **General Meetings and Voting Rights**

The Issuer shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months or such longer period as the Registrar of Companies in Hong Kong may in any particular case authorize in writing shall elapse between the date of one annual general meeting of the Issuer and that of the next. The board of directors of the Issuer (the "Board") may, whenever it thinks fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on requisition, as provided by the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (the "Companies Ordinance"), or, in default, may be convened by the requisitionists.

An annual general meeting and a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least, and a meeting of the Issuer other than an annual general meeting or a meeting for the passing of a special resolution shall be called by at least 14 days' notice in writing. The notice shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business.

For all purposes the quorum for a general meeting shall be 2 shareholders present in person or by proxy. A corporation being a shareholder shall be deemed for the purpose of the Articles to be present in person by its duly authorised representative. If within 15 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and place as may be decided by the Board, and if at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the shareholder or shareholders present in person shall be a quorum and may transact the business for which the meeting was called.

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by a representative duly authorized under section 115 of the Companies Ordinance shall have 1 vote, and on a poll every shareholder present in person or by proxy shall have 1 vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as fully paid up on a share in advance of calls or instalments shall be treated for this purpose as paid up on the share).

The number of directors of the Issuer shall not be less than 2.

The Board shall have power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following annual general meeting of the Issuer and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting.

Under section 157B of the Companies Ordinance, notwithstanding anything contained in its Articles, the Issuer may by ordinary resolution remove any director before the expiration of his period of office and may elect another person in his stead. The Issuer may from time to time in general meeting by ordinary resolution elect any person to be a director either to fill a casual vacancy or as an addition to the Board.

Subject to the provisions of the Companies Ordinance and to the Articles, no director or proposed or intending director shall be disqualified by his office from contracting with the Issuer, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor will any such contract or any other contract or arrangement in which any director is in any way interested be liable to be avoided, nor will any director so contracting or being so interested be liable to account to the Issuer or the shareholders of the Issuer for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established. A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Issuer shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

### **Changes in Share Capital**

The Issuer in general meeting may from time to time by ordinary resolution increase its share capital by the creation of new shares, such new capital to be of such amount to be divided into shares of such respective amounts as the resolution shall prescribe.

Subject to the Companies Ordinance, the Issuer may by ordinary resolution, before the issue of any new shares, determine that the same or any of them, shall be offered in the first instance to all the existing holders of any class of shares in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of such shares.

The Issuer may from time to time by ordinary resolution: (i) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (ii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Issuer, subject nevertheless to the provisions of the Companies Ordinance, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Issuer has power to attach to unissued or new shares; and (v) make provision for the issue and allotment of shares which do not carry any voting rights.

### **Variation of Rights**

All or any of the special rights (unless otherwise provided for by the terms of issue of the relevant shares or class of shares) attached to the shares or any class of the shares (if the capital is divided into different classes of shares) may, subject to section 64 of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares or (if the capital is divided into different classes of shares) issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares or (if the capital is divided into different classes of shares) shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be not less than 2 persons holding or representing by proxy one-third in nominal value of the issued shares of that class, and at an adjourned meeting 1 person holding shares of that class or his proxy, and that any holder of shares of the class present in person or by proxy may demand a poll.

### **Transfers of shares**

All transfers of shares may be effected by transfer in writing in the usual common form or in such other form as the Board may accept and may be under hand only.

The instrument of transfer of any share shall be executed by or on behalf of the transferor and the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

The directors of the Issuer may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share, not being a fully paid share to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register a transfer of any share to more than 4 joint holders or any transfer of any share (not being a fully paid up share) on which the Issuer has a lien.

The Board may also decline to recognize any instrument of transfer unless (i) a prescribed fee is paid to the Issuer in respect thereof; (ii) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (iii) the instrument of transfer in respect of only one class of share; (iv) the shares concerned are free from any lien in favour of the Issuer; and (v) the instrument of transfer is properly stamped.

### **Register of Members**

The Board shall cause to be kept a register of shareholders on which various particulars required under the Companies Ordinance are entered. The registration of transfers may be suspended and the register closed at such times and for such periods as the Board may from time to time determine, provided always that such registration shall not be suspended or the register closed for more than 30 days in any year or, with the approval of the Issuer in general meeting, 60 days in any year.

No dividend shall be payable except out of profits of the Issuer. No dividend shall carry interest.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid up on the shares in respect whereof the dividend is paid, but no amount paid up or credited as paid up on a share in advance of calls shall be treated for this purpose as paid up on the share.

Whenever the Board or the shareholders of the Issuer in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, with or without offering any rights to shareholders to elect to receive such dividend in cash, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient.

Whenever the Board or the shareholders of the Issuer in general meeting has resolved that a dividend be paid or declared on the share capital of the Issuer, the Board may further resolve, either (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the allottee, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (ii) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the shares so allotted shall be of the same class or classes as the class or classes of shares already held by the allottee.

All dividends or bonuses unclaimed for 1 year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Issuer until claimed and the Issuer shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for 6 years after having been declared may be forfeited by the Board and shall revert to the Issuer.

### **Pre-emptive Rights**

The Companies Ordinance provides that the directors of the Issuer may not, without the prior approval of the shareholders of the Issuer in general meeting, exercise any power of the Issuer to allot shares otherwise than under an offer pro rata by the Issuer to its shareholders.

The directors of the Issuer have been given a general unconditional mandate authorizing them to exercise all the powers of the Issuer to allot shares for cash consideration at any time until (except in certain specified circumstances) the next annual general meeting of the Issuer up to a limit of 10 per cent. in aggregate of the nominal amount of the Issuer's share capital in issue at the time of the passing of the resolution.

### **Purchase of Own Shares**

The Issuer may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance from time to time to purchase its own shares or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares of the Issuer and should the Issuer purchase its own shares neither the Issuer nor the directors of the Issuer shall be required to select the shares to be purchased rateably or in any other particular manner as between the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Hong Kong Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time.

to exercise all the powers of the Issuer to repurchase its own shares at any time until (except in certain specified circumstances) the next annual general meeting of the Issuer up to a limit of 10 per cent. in aggregate of the nominal amount of the Issuer's share capital in issue at the time of the passing of the resolution.

### **Winding-up**

If the Issuer shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the sanction of a special resolution of the Issuer and any other sanction required by the Companies Ordinance, divide among the shareholders in specie or kind the whole or any part of the assets of the Issuer and whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of the shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.



The Shares (stock code 669) have been listed on the Hong Kong Stock Exchange since 1990. The table below sets forth, for the periods indicated, the high and low closing prices (defined as the last transaction price for the day) and the average daily volume on the Hong Kong Stock Exchange for the Shares and the high and low closing values of the Hang Seng Index.

	Closing Price per Share		Average Daily Trading Volume in Shares (in '000)	Hang Seng Index	
	Low	High		Low	High
	HK\$	HK\$			
<b>2000</b>					
First Quarter					
(from 1 March onwards) . . . . .	0.57	0.70	1,738.0	15,103.0	18,301.7
Second Quarter . . . . .	0.59	1.08	5,487.7	13,722.4	16,941.7
Third Quarter . . . . .	0.87	1.05	2,722.3	14,612.9	17,920.9
Fourth Quarter . . . . .	0.80	1.01	1,181.1	13,984.4	16,184.7
<b>2001</b>					
First Quarter . . . . .	0.78	0.88	972.0	12,583.4	16,164.0
Second Quarter . . . . .	0.84	1.50	3,648.8	12,063.7	13,878.0
Third Quarter . . . . .	1.10	1.40	1,908.2	8,934.2	13,207.5
Fourth Quarter . . . . .	1.20	1.58	1,840.8	9,797.5	11,847.1
<b>2002</b>					
First Quarter . . . . .	1.55	2.80	6,504.1	10,409.7	11,892.6
Second Quarter . . . . .	2.58	3.75	8,719.8	10,355.9	11,974.6
Third Quarter . . . . .	2.70	3.38	3,596.5	9,072.2	10,843.2
Fourth Quarter . . . . .	2.78	3.88	4,923.5	8,858.7	10,227.0
<b>2003</b>					
January . . . . .	3.68	4.03	5,590.8	9,240.8	9,873.5
February . . . . .	3.90	4.48	3,422.6	9,116.3	9,427.6
March . . . . .	3.90	4.45	3,426.1	8,634.5	9,268.8
April . . . . .	4.08	4.90	4,191.0	8,409.0	8,962.2
May . . . . .	5.08	6.18	9,028.9	8,808.2	9,510.6
June . . . . .	5.98	6.88	3,992.4	9,577.1	10,030.4
July . . . . .	6.55	7.80	2,911.1	9,602.6	16,207.2
August . . . . .	6.63	9.45	5,254.2	9,945.2	10,909.0
September . . . . .	8.48	9.48	9,144.8	10,810.3	11,295.9
October . . . . .	10.00	11.15	4,302.2	11,546.1	12,250.7
November . . . . .	10.58	11.80	2,646.2	11,839.8	12,440.7
December . . . . .	9.70	11.13	2,907.1	12,177.4	12,594.4
<b>2004</b>					
January . . . . .	10.50	12.13	2,481.2	12,801.5	13,761.9
February . . . . .	10.55	12.93	2,592.6	13,000.0	13,928.4
March . . . . .	12.10	13.60	2,488.1	12,427.3	13,918.7
April . . . . .	10.45	13.38	5,425.8	11,943.0	13,031.8
May . . . . .	10.10	12.30	3,990.4	10,967.7	12,198.2
June . . . . .	11.20	12.75	4,701.2	11,845.6	12,422.9
July (through to 2 July 2004) . . . .	12.55	12.55	2,630.3	12,220.1	12,220.1

Source: Bloomberg

On 2 July 2004, the closing price of the Shares on the Hong Kong Stock Exchange was HK\$12.55. There is no public market for the Shares outside Hong Kong.

The HK dollar is freely convertible into other currencies (including the US dollar). Since 17 October 1983, the HK dollar has been linked to the US dollar at the rate of US\$1.00 to HK\$7.80. The central element in the arrangements which give effect to the link is that by agreement between the Hong Kong government and three of the Hong Kong banknote issuing banks, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China, certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for the banknotes issued, are issued and redeemed only against payment in US dollars, at the fixed exchange rate of US\$1.00 to HK\$7.80. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent US dollars at the fixed rate of exchange.

The market exchange rate of the HK dollar against the US dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. Exchange rates between the HK dollar and other currencies are influenced by the linked rate between the US dollar and the HK dollar.

The Basic Law provides that the HK dollar will remain the legal tender in the Hong Kong SAR after 1 July 1997 when sovereignty over Hong Kong is transferred to the PRC. The Basic Law also provides that no exchange control policies shall be applied in the Hong Kong SAR and that the HK dollar shall be freely convertible.

The following table sets forth, for each of the years indicated, the low, average, high and period-end noon buying rates in New York City for cable transfers, in Hong Kong dollars per US dollar, as certified for customs purposes by the Federal Reserve Bank of New York.

Year	Noon Buying Rate			
	Low	Average	High	Period End
	(HK\$ per US\$)			
<b>2001</b>				
First Quarter .....	7.7990	7.7998	7.8003	7.8003
Second Quarter .....	7.7983	7.7996	7.8003	7.8000
Third Quarter .....	7.7984	7.7998	7.8003	7.7996
Fourth Quarter .....	7.7970	7.7995	7.8004	7.7980
<b>2002</b>				
First Quarter .....	7.7970	7.7994	7.8000	7.8000
Second Quarter .....	7.7990	7.7998	7.8095	7.8000
Third Quarter .....	7.7996	7.8002	7.8080	7.7998
Fourth Quarter .....	7.7980	7.7992	7.8000	7.7988
<b>2003</b>				
First Quarter .....	7.7987	7.7994	7.8001	7.7995
Second Quarter .....	7.7980	7.7992	7.7998	7.7984
Third Quarter .....	7.7444	7.7944	7.7999	7.7445
Fourth Quarter .....	7.7085	7.7565	7.7692	7.7640
<b>2004</b>				
First Quarter .....	7.7632	7.7788	7.7980	7.7930
Second Quarter (through to 2 July 2004) .....	7.7870	7.7974	7.8010	7.7999

Source: Federal Reserve Bank of New York

*The following summary of certain Hong Kong and United States federal income tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences, including, specifically, the consequences under United States federal, state, local and other laws of the purchase, ownership and disposition of Bonds and Shares.*

## **Hong Kong**

### ***Withholding Tax***

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Bonds) or interest in respect of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

### ***Profits Tax***

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, conversion or redemption of the Bonds where such sale, disposal, conversion or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- (a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (b) a corporation carrying on a trade, profession or business in Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or conversion of a Bond.

No Hong Kong stamp duty will be chargeable upon the issue of the Shares. Hong Kong stamp duty is however payable on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

### ***Estate Duty***

No estate duty is payable under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the "Estate Duty Ordinance") in respect of Bonds the register in respect of which is maintained outside Hong Kong.

Shares listed on the Hong Kong Stock Exchange are required by the rules of the Hong Kong Stock Exchange to be recorded on a share register in Hong Kong. The effect of this Hong Kong Stock Exchange requirement may be that the Shares are Hong Kong property for the purposes of the Estate Duty Ordinance and accordingly Hong Kong estate duty may be payable in respect of the Shares on the death of any person (wherever the person resides or is domiciled).

### **EU Directive on the Taxation of Savings Income**

The European Union has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 January 2005 to provide to the tax authorities of other Member States details of payments of interest or other similar income paid by a person to an individual in another Member State, except that Belgium, Luxembourg and Austria will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

ABN AMRO Rothschild and The Hongkong and Shanghai Banking Corporation Limited (the "Lead Managers") have, pursuant to the Subscription Agreement dated 16 June 2004, agreed with the Issuer and other parties, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Bonds at the issue price of 100 per cent. of the principal amount of the Bonds less a management and underwriting commission of 1.75 per cent. of the aggregate principal amount of the Bonds. The Subscription Agreement may be terminated by the Lead Managers in certain circumstances prior to the subscription and payment for the Bonds to the Issuer. The Issuer has agreed to indemnify the Lead Managers against certain liabilities in connection with the issue of the Bonds.

The Issuer has agreed in the Subscription Agreement with the Lead Managers that, from the date of the Subscription Agreement and for a period of 90 days after the closing date of the Subscription Agreement (which is expected to be on 8 July 2004) (the "Closing Date"), it will not, and each of the Existing Major Shareholders undertakes with the Lead Managers to procure that the Issuer will not, issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depositary receipt facility, without the prior written consent of the Lead Managers, other than (i) Shares to be issued upon exercise of warrants to purchase or subscribe Shares, or upon conversion of securities convertible into Shares, in each case, outstanding on the date hereof, (ii) Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) issued, offered, allotted, appropriated, modified or granted to employees (including directors) or former employees of the Issuer, its subsidiaries and/or associated companies or persons related to such employees (including directors) or former employees, directly or indirectly, pursuant to any employee share scheme or arrangement for any one or more employees generally or as required by law, and (iii) Shares (not exceeding 10% of the aggregate nominal amount of the share capital of the Issuer in issue as at the date of its last annual general meeting) to be issued and allotted for consideration other than cash in connection with an acquisition of a company or a business by the Group pursuant to the general mandate granted to the directors at the annual general meeting of the Issuer held on 28 May 2004.

Each of the Existing Major Shareholders undertakes with the Lead Managers that, from the date of the Subscription Agreement and for a period of 90 days after the Closing Date, it will not offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to offer, lend, sell, pledge, contract to sell, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into by any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depositary receipt facility, without the prior written consent of the Lead Managers.

of the Bonds or possession or distribution of this Offering Circular or any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering material, in any country or jurisdiction where action for that purpose is required. Each of the Lead Managers will comply with all applicable laws and regulations in each jurisdiction in which it offers, sells or delivers any Bonds or has in its possession or distributes this Offering Circular or any amendment or supplement thereto or any other offering material, in all cases at its own expense. None of the Lead Managers is authorised to make any representation or use any information in connection with the issue, subscription and delivery of the Bonds other than as contained in this Offering Circular or any amendment or supplement thereto.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act or any state securities laws and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds and the Shares to be issued upon conversion of the Bonds may not be offered, sold or delivered within the United States. The Lead Managers have agreed that they will not offer, sell or deliver any Bonds within the United States.

The Bonds are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares to be issued upon conversion of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each of the Lead Managers has represented, warranted and agreed that it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Each of the Lead Managers has represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong and (2) it has not issued and will not issue any advertisement, invitation or document relating to the Bonds, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made thereunder.

Japan (the "Securities and Exchange Law"). Accordingly, each of the Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other applicable laws and regulations of Japan.

Each of the Lead Managers has represented, warranted and agreed that it has not circulated or distributed nor will it circulate or distribute this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds nor has it offered or sold and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 019510964, the International Securities Identification Number for the Bonds is XS0195109649.
2. **Listing of Shares:** Application has been made to the Listing Division of the Hong Kong Stock Exchange for the listing of and permission to deal in the Shares arising on conversion of the Bonds.
3. **Listing of Bonds:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in the Bonds. It is expected that dealing will, if permission is granted to deal in and for the listing of the Bonds on the Hong Kong Stock Exchange, commence on or about 9 July 2004.
4. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 16 June 2004. Listing of the Bonds on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of that exchange, including execution of the Trust Deed and the Agency Agreement.
5. **No Material Adverse Change:** Except as disclosed in this Offering Circular there has been no significant change in the financial or trading position of the Issuer and the Group since 31 December 2003 and no material adverse change in the financial position or prospects of the Group since 31 December 2003. Except as disclosed in this document, there has been no significant change in the financial or trading position and no material adverse change in the financial position or prospects of the Issuer since its incorporation.
6. **Litigation:** Save as disclosed in this Offering Circular, neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Issuer or the Group nor is the Issuer aware that any such proceedings are pending or threatened.
7. **Available Documents:** Copies (and certified English translations where the documents are not in English) of the following documents will be available for inspection, and in the case of the documents referred to in paragraphs (b) and (c) below copies may be obtained, during normal business hours at the specified office of the Issuer at 24/F, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong, so long as any of the Bonds is outstanding:
  - (a) Memorandum and Articles of Association of the Issuer;
  - (b) a copy of the audited consolidated financial statements of the Issuer as at and each of the three years ended 31 December 2001, 2002 and 2003;
  - (c) the Subscription Agreement dated as of 16 June 2004 relating to the Bonds;
  - (d) the Trust Deed to be dated on or about the Closing Date constituting the Bonds (which includes the form of the Global Certificate and the definitive Certificates); and
  - (e) the Agency Agreement.

The Issuer does not publish any interim financial statements on an audited basis nor does it publish any non-consolidated financial statements save for the non-consolidated balance sheet as of each of 31 December 2001, 2002 and 2003.



accompanied by a certificate or report prepared by an internationally recognised firm of accountants to the Issuer whether or not addressed to the Trustee, and whether or not the same are subject to any limitation on the liability of the internationally recognised firm of accountants to the Issuer and whether by reference to a monetary cap or otherwise limited or excluded.

9. **Financial reports:** Under the Listing Rules, the Issuer is required to publish an audited annual report not less than 21 days before the date of the Issuer's annual general meeting and not more than four months after the date upon which the financial year ended. The Issuer is also required to publish a half-year report in respect of the first six months of each financial year not later than three months after the end of such period. The annual report and the half-year report will contain, *inter alia*, balance sheet, income statement, cash flow statement and statement of changes in equity, each with comparatives, and accounting policies and explanatory notes. All the aforesaid reports will be reviewed by the Issuer's audit committee. The Issuer does not publish audited half-year and quarterly financial statements. Copies of the annual report and the half-year report may be obtained at the specified office of the Trustee during normal business hours.
10. **Auditors:** The consolidated financial statements of the Issuer as at and for the three years ended 31 December 2001, 2002 and 2003 incorporated by reference in this Offering Circular have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, as stated in their reports appearing therein.

Deloitte Touche Tohmatsu have given and have not withdrawn their written consent for the purposes of paragraph 8(2) of Appendix 1 Part C of the Listing Rules to the issue of this Offering Circular with references to their audit reports (dated 23 April 2002, 15 April 2003 and 7 April 2004, respectively) on the published annual consolidated financial statements of the Issuer for the years ended 31 December 2001, 2002 and 2003, and with references to Deloitte Touche Tohmatsu in the form and context in which they appear.

11. **Notices:** The Listing Rules contain certain provisions in relation to publication of announcements in respect of offer for subscription or sale, rights issues, placing and other changes to the share capital of the Issuer. Such announcements are required to be submitted for publication on the Hong Kong Stock Exchange's website.

The audited consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which differ in certain significant aspects from those under International Financial Reporting Standards ("IFRS"). A brief description of certain significant differences between accounting policies in accordance with HKFRS adopted in the preparation of the audited consolidated financial statements and IFRS is set out below. The organisations that promulgate HKFRS and IFRS have projects ongoing that could have a significant impact on future comparisons such as this. This summary is not intended to provide a comprehensive listing of all existing or future differences between HKFRS and IFRS. Had the Group undertaken to identify the differences specifically affecting their financial statements presented in this Offering Circular, other potentially significant differences may have come to the attention of the Group which are not provided in the following summary.

Accordingly the Group's management can provide no assurance that this summary of certain significant differences between HKFRS and IFRS provides a complete description of all differences which may have a significant impact on the Group's financial statements. No attempt has been made in this summary to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the financial statements of the Group or the notes thereto.

HKFRS	IFRS
<p><b>Business combinations</b></p> <p>Under SSAP 30 "Business Combinations", the identified assets and liabilities recognised should be measured at their fair values as at the date of acquisition. Any minority interest should be stated at the minority's proportion of the fair values of the identifiable assets and liabilities of the subsidiary.</p> <p>The definition of "subsidiary" to be used by Hong Kong incorporated companies which is dictated by the Hong Kong Companies Ordinance, results in the exclusion from consolidation of certain investees that would be consolidated under IFRS.</p>	
<p>International Accounting Standard ("IAS") 22 "Business Combinations" has a benchmark treatment of allocating the cost of an acquisition whereby the resulting minority interest is stated at the minority's proportion of the pre-acquisition carrying amounts of the net identifiable assets and liabilities of the subsidiary. IAS 22 also has an allowed alternative treatment of allocating the cost of an acquisition whereby resulting minority interest is stated at the minority's proportion of the fair values of the identifiable assets and liabilities of the subsidiary.</p>	

## Deferred tax

Prior to 1 January 2002, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

Under SSAP 12 (revised) "Income taxes" which became effective on or after 1 January 2002, income tax for the period comprises current and deferred tax. Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised, except temporary differences arising from goodwill not deductible for tax purposes and the initial recognition (other than in a business combination) of other assets or liabilities that affect neither accounting nor taxable profit.

IAS 12 "Income taxes" is consistent in all material respects with SSAP 12 (revised).

## Investments in securities

Investments in debt and equity securities, except those held either solely for the purpose of recovering advances or, as investments in subsidiaries, associates or joint ventures, are accounted for as follows:

Under SSAP 24 "Accounting for Investments in Securities", all investments in securities other than held-to-maturity securities are either accounted for using "benchmark" or "alternative" treatment and the Group adopts the benchmark treatment. For benchmark treatment, investments in securities will be accounted for as follows:

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investments securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net income for the period.

Under IAS 39 (Revised) "Financial Instruments: Recognition and Measurement", financial assets are divided into four categories, which include held for trading, held-to-maturity investments, loans and receivables originated by the enterprise and available-for-sale. Financial assets are recognised when an enterprise becomes a party to the contractual provisions of an instrument.

All the financial assets should be measured at fair value, except loans and receivables originated by the enterprise and not held for trading, held to maturity investments and financial assets that does not have a quoted market price in an active market and whose fair value cannot be reliably measured. These assets should then be measured at amortised cost using the effective interest rate method.

A recognised gain or loss arising from a change in the fair value of a financial asset that is not part of a hedging relationship should be reported as follows:

- (a) a gain or loss on a financial asset held for trading should be included in net profit or loss for the period in which it arises (in this regard, a derivative should always be considered to be held for trading unless it is a designated hedging instrument);
- (b) a gain or loss on an available-for-sale financial asset should be either:
  - i. included in net profit or loss for the period in which it arises; or
  - ii. recognised directly in equity, through the statement of changes in equity, until the financial asset is sold, collected, or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity should be included in net profit or loss for the period.

## **Borrowing costs**

Under SSAP 19 "Borrowing Costs", borrowing costs are expensed in the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to acquisition, construction or production of qualifying assets which necessarily takes a substantial period of time to get ready for their intended use or sale.

IAS 23 "Borrowing Costs" has a benchmark treatment of recognising all borrowing costs as expense in the period in which they are incurred. It also permits as an alternative treatment to capitalise borrowing costs in relation to qualifying assets.

The Group's management has not quantified the effects of the aforementioned differences between HKFRS and IFRS. Accordingly, there can be no assurances that net profit and/or shareholders' funds reported in conformity with HKFRS would not be different if determined in conformity with IFRS.

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